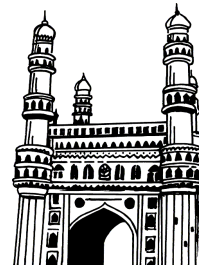


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# MBA

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2018 - 2019

## *III Semester*

## CONSUMER BEHAVIOUR

- ☞ STUDY MANUAL
- ☞ SHORT NOTES
- ☞ SOLVED MODEL PAPERS

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# JNTU MBA

## *III Semester*

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**Understanding Consumer Behaviour:** Defining consumer behaviour, Need for Consumer Behaviour. Understanding Consumer through research process, Consumer behaviour in a world of economic instability, Rural Consumer Behaviour, Consumer Segmentation, Targeting and Positioning, Segmentation & Branding, Rural Markets.

## UNIT - II

**Environmental Influences on Consumer behaviour:** Influence of Culture, Sub Culture, Social Class, Social Group, Family and Personality, Cross-Cultural Consumer Behaviour.

## UNIT - III

**Consumer as an Individual:** Personality and Self-concept, Consumer Motivation, Consumer Perception, Consumer Attitudes and Changing Attitudes, Consumer Learning and Information Processing.

## UNIT - IV

**Consumer Decision Making Processes:** Problem Recognition, Search and Evaluation, Purchasing processes, Post purchase behaviour, Models of Consumer decision making, Consumers and the diffusion of Innovations.

## UNIT - V

**Consumerism and Ethics:** Roots of Consumerism, Consumer Safety, Consumer Information, Consumer Responsibilities, Marketer responses to consumer issues, Marketing Ethics towards Consumers.

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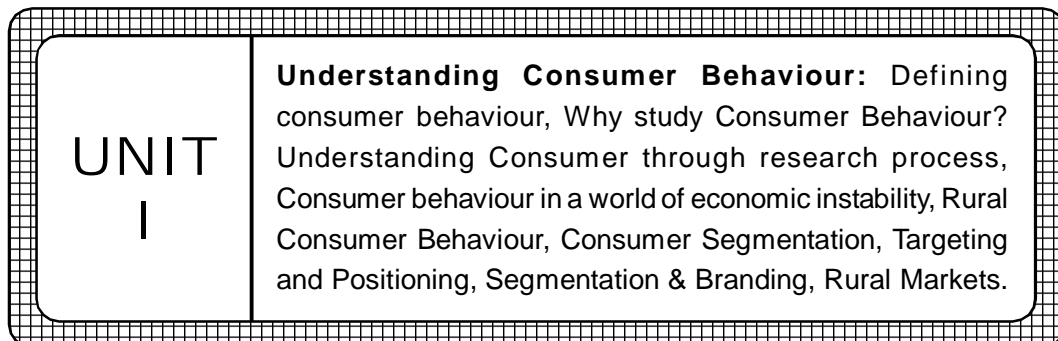
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## 1.1 UNDERSTANDING CONSUMER BEHAVIOUR

Consumer Behaviour is the study of Individuals or Organisations and the activities undertaken by them to select, procure and use products or services to satisfy their needs and wants. In this unit, we will be studying the basics of consumer behaviour from a management perspective, along with an overview of the concepts of consumer orientation and the competitive advantages of such a practice.

### 1.1.1 Defining Consumer Behaviour

Consumer behavior may be defined as, "the decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services.

#### Definitions of Consumer Behaviour

**According to Belch and Belch,** "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".

**According to Engel, Blackwell and Miniard,** "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."

**According to Solomon,** "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."

**Consumer behavior may also be defined as,** "The study of individuals, groups, or organisations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and on the society".

Several aspects of this statement need emphasis and elaboration so that their meanings can be fully appreciated.

**1. Customers and Consumers**

The term "customer" is typically used to refer to someone who regularly purchases from a particular store or company. The term "consumer" more generally refers to anyone engaging in any of the activities used in our definition of consumer behavior. Therefore, a customer is defined in terms of a specific firm while a consumer is not.

**2. The Ultimate Consumer**

Those individuals who purchase for the purpose of individual or household consumption are the ultimate consumers. Some have argued that studying ultimate consumers also reveals much about industrial and intermediate buyers and others involved in purchasing for business firms and institutions. While not denying this, we must recognize that much industrial purchasing behavior is unique because it often involves different buying motives and the influence of a large variety of people.

**3. Individual Buyer**

The most commonly thought of consumer situation is that of an individual making a purchase with little or no influence from other. However, in some cases a number of people can be jointly invoked in a purchase decision. For example, planning a vacation or deciding on a new car can involve an entire family.

**4. The Decision Process**

The way in which our definition characterizes "behavior": also deserves special attention. That is, consumer behavior is seen to involve a mental decision process as well as physical activity. The actual act of purchase is just one stage in a series of mental and physical activities that occur during a period of time. Some of these activities precede the actual buying, while others follow it. However, since all are capable of influencing the adoption of products or services, they will be considered as part of the behavior in which we are interested. :

**5. A Subset of Human Behavior**

Viewing consumer behavior in such a broad context suggests it is actually a subset of human behavior. That is, factors affecting individuals in their daily lives also influence their purchase activities. Internal influences, such as learning and motives, as well as external factors, affect consumer behaviour. In fact, it is often difficult to draw a distinct line between consumer-related and other aspects of human behavior.

### 1.1.2 Need / Reasons for Understanding Consumer Behaviour

For any marketer, studying consumer behaviour has become essential for the following reasons :

#### 1. Shorter Product Life Cycles

Consumers today are more aware of the options available, are more demanding, and look for change more often. This has resulted in shorter life cycles of products. For example, changing customer needs and preferences have resulted in shorter life of personal usage (or) just personal producers products such as mobile phones, cameras, and electronic items.

#### 2. Evolving Consumer Preferences

Change is the norm today, and consumer preferences offer no exception. Colgate Herbal toothpaste, for example, was launched as a superior value added offering that appeals to a newer consumer aspiration of health.

#### 3. Environmental Concerns

As environmental awareness amongst consumers is growing, firms are coming up with new products that are environment friendly. For example, Hindustan Unilever (HUL), maker of detergents like Surf, Surf Excel, etc., has launched a washing Powder variant that uses less water to clean clothes.

#### 4. Changing Lifestyles

Lifestyle reflects a person's view about the world. Marketers have to monitor these new trends in consumer lifestyles and incorporate these changes in their products. For example, Pepsi and Coca-Cola have launched sugar-free drinks as they look to target the health-conscious urban consumers and specially the diabetic population.

#### 5. Faster technology adoption

The advent of the Internet has led to an information boom. The Internet allows users to compare and review products before they decide on a purchase. Purchase of air tickets online has seen a phenomenal increase in the past few years. Currently, many airlines and travel agents offer travellers the option to compare prices and encourage online ticket purchase.

### 1.1.3 Why Study Consumer Behaviour

Understanding the reasons for studying a discipline enables one to better appreciate its contributions, therefore, this section presents a justification for the time and effort that the reader will expend in learning about consumers.

#### (i) Significance in Daily Lives

In a general sense, the most important reason for studying consumer behavior is the significant role it plays in our lives. Much of our time is spent directly in the marketplace, shopping or engaging in other activities. A large amount of additional time is spent thinking about products and services, talking to friends about them, and seeing or hearing advertisements about them. In addition, the goods we purchase and the manner in which we use those goods significantly influence how we live our daily lives. These general concerns alone are enough to justify our study.

#### (ii) Application to Decision Making

Consumers are often studied because certain decisions are significantly affected by their behavior or expected actions. For this reason, consumer behavior is said to be an applied discipline. Such applications can exist at two different levels of analysis. The micro perspective seeks application of this knowledge to problems faced by the individual firm or organization. The social perspective applies knowledge of consumers to aggregate-level problems faced by large groups or by society as a whole.

Understanding consumer behavior from a macro perspective can provide insight into aggregate economic and social trends and can perhaps even predict such trends. In addition, this understanding may suggest ways to increase the efficiency of the market system and improve the well being of people in society.

### 1.1.4 Importance of Consumer Behavior

The field of consumer behavior holds great interest for us as consumers, as marketers, and as students of human behavior.

#### 1. Importance for Consumers

As consumers, we benefit from insights into our own consumption-related decisions: what we buy, why we buy, how we buy, and the promotional influences that persuade us to buy. The study of consumer behavior enables us to become better, that is, wiser, consumers.

## **2. Importance for Marketers**

As marketers and future marketers, it is important for us to recognize why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketers understand consumer behavior, they are able to predict how consumers are likely to react to various informational and environmental cues, and are able to shape their marketing strategies accordingly. Without doubt, marketers who understand consumer behavior have great competitive advantage in the marketplace.

## **3. Importance for Students of Human Behavior**

As students of human behavior, we are concerned with understanding consumer behavior, with gaining insights into why individuals act in certain consumption-related ways and with learning what internal and external influences impel them to act as they do. Indeed, the desire for understanding consumption-related human behavior has led to a diversity of theoretical approaches to its study.

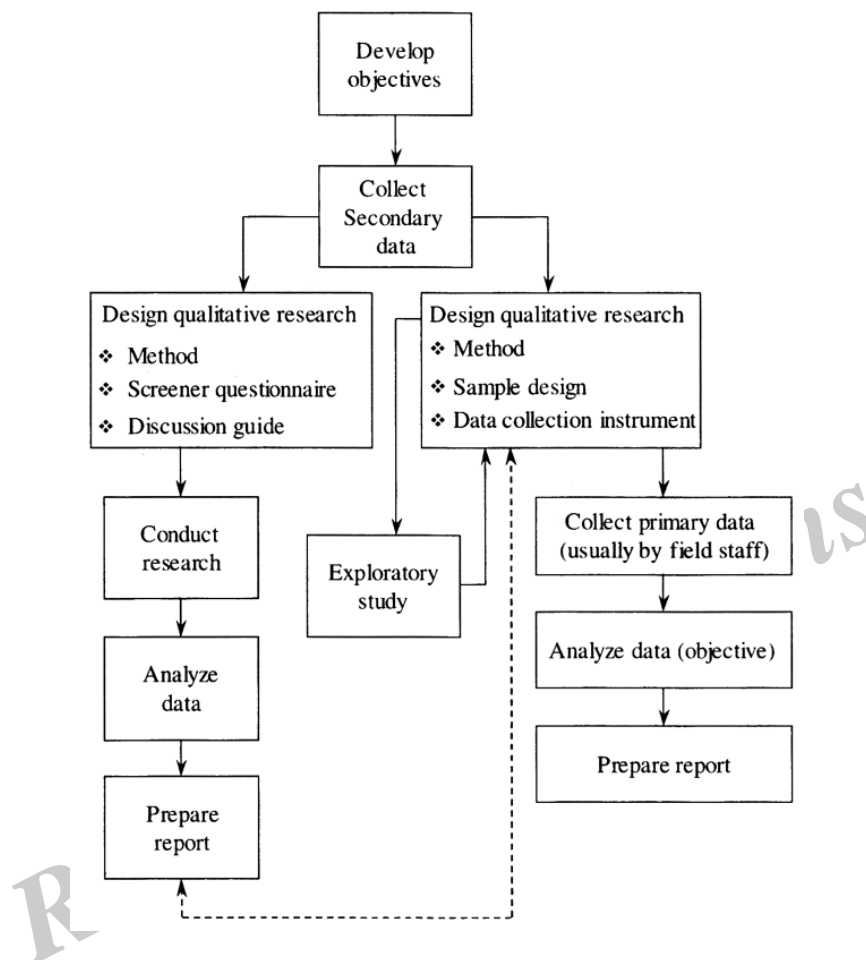
## **1.2 UNDERSTANDING CONSUMER THROUGH RESEARCH PROCESS**

Companies conduct marketing research with consumers to better understand their needs and determine customer satisfaction levels. Consumer research is particularly crucial when a company decides to market a new product. The company must determine the potential success of the product by asking consumers for their opinions. After conducting focus groups and surveys, marketing managers must analyze the consumer data and make recommendations based on the survey results.

### **Steps in CB Research Process**

The consumer research process consists of the following steps :

1. Developing research objective
2. Collecting and evaluating the secondary data
3. Designing a primary research study
4. Collecting the primary data
5. Data analysis and report findings.



**Figure: The Consumer Research Process**

### 1. Developing the Research Objectives

This is the first step in the consumer research process. It starts with the defining of objectives of the study by the consumer or the marketers.

But to study the behaviour of the consumer the researcher should prepare a refined statement of objectives that can define the type, kind and level of information required. All these things should be appropriate for the research design.

#### Example

If the researcher wants to conduct a study to come up with new ideas for products or promotional campaigns then a qualitative study is undertaken by the researcher

where a face to face interaction between the consumer and the store seller (who is also a trained professional for taking interviews from customers takes place. This involves a high cost, so the analyst carries the study to a small sample of persons or consumers.

### **Quantitative Study**

If the researcher wants to know how many people in the population use his product, then he goes for a quantitative research. Sometimes the researcher is not sure "What question should be asked with the consumer?". In such case he should do an "Exploratory study" i.e., a small-scale research of a sample of consumers with the help of "Questionnaires".

## **2. Collecting Secondary Data**

This step is followed after the 1<sup>st</sup> step of identifying the objectives. A secondary data is any information which is generated originally for other purpose than the present objectives. These are the findings done by other organizations, information from earlier studies or information generated from the credit department.

Identifying secondary data is called secondary research.

### **Sources of Secondary Data**

- (i) Government agencies
- (ii) Marketing research companies
- (iii) Advertising agencies
- (iv) Private population data firms.

The collection of secondary data helps in getting an insight and idea about the research. If the researcher requires detailed information on the sales, demand and usage of the product then he should go for a primary research data collection. But the research for primary data requires effort, time and money and it is assumed to be costlier than the secondary data. The benefit/advantage of primary data is that it gives accurate results about the study of the topic.

The secondary data collection involves two things,

- (a) Syndicated data
- (b) Customer profitability lifetime value data.

- (a) **Syndicated Data** : As the collection of primary data is expensive, researchers go for secondary data. Syndicated data is the published data on consumption pattern of consumers. This data is collected for a particular period and arranged according to standard procedures. The collected data is then sold to interested companies like advertising agencies.

**Example** : Information on T.V. program watched by majority of viewers.

- (b) **Customer Profitability and Lifetime Value Data** : The companies generally follow a "80/20 rule" where only 20% account for non-customers and 80% for majority customers for the products of these companies. They try to target this 80% of the consumers by trying to build a long term relationship with the customers and they are termed as profitable customers for the company. They present special offers to these type of consumers so that they can buy more of the companies products. Such organizations prepare a profile of customers called "Customer Lifetime Value" (CLV) for different segments of consumers. This will include the amount of profit generated from individual consumers and the cost of handling customer orders.

While collecting secondary data, the following points must be kept in mind,

- (i) **Avoid Leading Questions** : For example, questions such as "Do you often shop at such cost-saving stores as Staples?" or "Weren't you satisfied with the service you received at Staples today?" introduce bias into the survey.
- (ii) **Avoid Two Questions in One** : For example, "In your view, did you save money and receive good service when you last visited Staples?" is really two questions combined and they should be stated separately.
- (iii) **Questions Must be Clear** : For example, "Where do you usually shop for your home-office supplies?" is unclear because the term "usually" is vague.
- (iv) **Use Words that Consumers Routinely Use** : For example, do not use the verb "to rectify", instead, use the verb "to correct".
- (v) **Respondents Must be Able to Answer the Question** : For example, it is unlikely that any respondent can accurately answer a question such as "How many newspaper or TV ads for Staples did you read or see during the past month?".



- (vi) **Respondents Must be Willing to Answer the Question** : Questions about money, health issues, personal hygiene, or sexual preferences can embarrass respondents and cause them not to answer. Sometimes, asking the question in a less personal fashion can cause them not to answer. Sometimes, asking the question in a less personal fashion might help generate more responses. For example, rather than asking older consumers whether they experience incontinence, the researcher should ask “millions of Americans experience some level of incontinence. Do you or anyone you know experience this difficulty?”.

### 3. Designing Primary Research

The designing of primary research is based on the objective and purpose of the study. This involves two types of studies,

- If descriptive data is required then a qualitative study is conducted.
- If information about new ideas is needed then a qualitative analysis is undertaken. Both of the above require different approaches like method of data collection, sample design and type of data collection instrument.

- (a) **Quantitative Research Design** : The quantitative research design uses data collection methods, instruments and the sample size. There are three types of designs in quantitative research.

- (i) **Observation Research** : It is an important tool for getting in depth information about the relationship between the products and people i.e., watching them while the process of buying is going on. Many companies hire agencies and trained researchers to observe, watch and note consumer behaviour.

A mechanical device is used to record consumer behaviour towards an advertisement or a marketing stimulator.

#### **Example**

Banks have set up security cameras to observe problems that the customers face while availing ATM service.

- (ii) **Experimentation** : Experiments are done on consumers to know what is the appeal of their products that attracts customers. For example, package design, prices, promotional offers or copy themes to identify the cause and effect relationship between the reason for buying any product.

The casual research is also conducted using dependent and independent variables influencing the sales of the product. A test marketing is used to introduce any new product to determine its sales and what gauges the response of the customers.

(iii) **Survey** : If the marketer or researcher wishes to ask consumers about their preferences, taste and thought about the product, they can do so in person i.e., by personal interviews at homes of consumers, by mail, telephone or on-line.

(b) **Instruments used in Quantitative Data Collection** : The data collection instruments are used to analyse the questions than are answered in the same manner as they were designed originally. The data collection instruments include,

(i) Questionnaires

(ii) Attitude scales.

(i) **Questionnaires** : A questionnaire is a detailed set of questions defined for a specific purpose for primary data collection consumers are given questionnaires and are asked to give answers to those questions.

#### Types of Questionnaires

➤ **Open Ended and Close Ended Questionnaires**: In open ended questionnaires the consumer is asked to provide answer in their own words, whereas in close ended questionnaires consumers are asked to provide answers from a list of options.

➤ **Disguised Questionnaires** : Disguised questionnaires yield responses which are not actually sought or thought by the customers.

➤ **Undisguised Questionnaires** : Serves the real and true purpose of the study.

(ii) **Attitude Scales** : Scales are used to measure the attitude of the consumers towards the product. Researchers provide respondents with a list of products and its attributes for which they are asked to give their ratings about what they feel about the product. The instrument used to evaluate this information is called attitude scale.

**Types of Attitude Scales**

- Likert scale
- Semantic differential scale
- The behaviour intention scale
- Rank order scale.

(c) **Qualitative Research Design and Data Collection Methods** : To conduct a qualitative research, the researcher must determine the purpose of the study and what information is needed. The data collection methods in qualitative analysis are,

- (i) Depth interview
- (ii) Focus groups
- (iii) Projective techniques
- (iv) Metaphor analysis.

(i) **Depth Interview** : In this type of interview researcher conducts an open discussion between him and the respondent in which the involvement of respondent should be more. The researcher in the beginning introduces the subject to the respondents and asks the respondents to freely express their attitude and behaviour towards the product. Such an interview may last for (half-an-hour i.e., 30 minutes). Meanwhile the interviewer records the discussion in transcripts, videotapes or audiotapes. Recordings of the interview are then carefully studied and analyzed.

(ii) **Focus Groups** : The focus group consists of 8-10 respondents along with an analyst for a group discussion about a product or product category. Respondents are encouraged by the interviewer to discuss their interest, attitudes, reactions, motives, lifestyles and feelings about the product or product category.

(iii) **Projective Techniques** : Projective techniques are designed to trace the underlying motives of the respondents which are not clearly expressed, like incomplete sentences, untitled pictures or cartoons etc.

(iv) **Metaphor Analysis** : The use of one form of expression to describe or represent feeling about another is called a metaphor. In metaphor analysis respondents are provided information through non-verbal medium like sounds, music drawings or pictures.

#### 4. Collecting Sample for Primary Data Collection

The primary data collection is a tough task because the research has a design, a sampling plan - whom to survey? how many to survey? and how to select them? The sample size depends on the budget of the researcher. The larger the size of the sample, the more will be its benefits.

If the researcher wishes to survey total population then a probability sample should be used. If the sample is sufficient to get findings then a non-probability sample is used.

#### 5. Data Analysis and Report Findings

In qualitative analysis, the information collected through open ended responses is tabulated. The data is then analyzed and grouped in clusters of same responses. Both in qualitative and quantitative analysis the report consists of executive summary of the analysis/findings. The body of report consists of the research methodology, tables, graphs to support the findings.

### 1.3 CONSUMER BEHAVIOUR IN A WORLD OF ECONOMIC INSTABILITY

Near the end of preparing this edition of Consumer Behavior, we realized that we needed to address the recession and widespread economic downturn in consumer confidence that was at least, in part, initially caused by a dramatic drop in both prices and sales of homes. This was followed by a striking decline in stock prices, and therefore the value of stocks, which in turn was followed by an equally striking massive job layoffs and cut backs.

This meant that many investors found that a significant portion of their financial holdings set aside for retirement, home purchases, children's education, and so on, were disappearing in front of their own eyes as banks were failing. All these negative occurrences happened in a relatively short period of time, creating an enormous downturn in the U.S. economy, which has resulted in a significant negative impact on consumers with respect to a wide range of purchasing.

While the United States was initially the major victim, it did not take long for these economic instabilities to spread to European and Asian economic centers. All of a sudden we were in the midst of a worldwide economic recession, with unemployment, uncertainty, as well as falling stock prices occurring all over the globe. Great number of families were uncertain about their future, the future of their jobs, and the future prospects for their homes (i.e., whether they could continue to meet the mortgage payments).

We understand that such economic events will impact what and how much consumers are able to purchase, and that some consumers will really suffer. However, we also realize that much of the process of consumer decision making and the dynamics of consumer search and shopping will still go on, but it will be different. It will take time to secure an understanding as to what will remain the same, and what will change. Maybe the next edition of this book will be able to address the extent and nature of such a grand-scale recession—a recession that many economists, politicians, and consumers never expected. Indeed, recalling all previous editions of this book, we never remember so much concern and fear on the part of both consumers and businesses. In the past, we could easily ignore the generally mild “ups and downs” in the status of major world economic centers.

Wherever in the world you are reading and studying this edition of Consumer Behavior, please try to relate to what you are reading and consider the meaning it has to the economic crisis.

## 1.4 RURAL CONSUMER BEHAVIOUR

Consumer Behaviour refers to the acts of individuals directly involved in obtaining and using goods and services and it includes the decision process that provide a purchase.

Consumer Behaviour is not only the study of what people consume but also ‘where’, ‘how often’ and ‘under what conditions’ the product is consumed.

### Fundamentals of Consumer Behaviour

With consumers awakening all around the nature of consumer has changed altogether. Their behaviour differs from one place to another place. Let us examine basic fundamentals of consumer behaviour.

- (i) **Complex Buying Behaviour.** Buying behaviour is complex when products to be bought are expensive and many differences between different brands exists, like computers and automobiles. In the rural setting, demonstrations, targeting opinion leaders and employing trained sales persons can be more effective for such products.
- (ii) **Dissonance Reducing Behaviour.** In case of products which are expensive but have few differences, like furniture, the consumer is involved as these are more social products. Their style, appearance and performance will be talked about and may result in either delight or dissonance.

(iii) **Habitual Buying Behaviour.** The products, which are frequently purchased, (salt and soap) are low involvement items, with low cost. The consumer is not really much concerned about which brand he buys. He will generally ask for the product and not the brand. Some may ask for a brand, however, i.e., the preferred brand is not available, they will ask for another brand. They usually do not postpone the purchase or take the trouble of going to another shop. They buy whatever is available. There is a lack of strong brand consciousness. But, there are some exceptions like cigarettes, where brand preference is very strong.

(iv) **Variety Seeking.** These are products that are less expensive and frequently purchased, but have significant differences. There exist a good number of brands with different attributes and benefits. For example, confectionery items, ice creams and tourist places. A consumer prefers to buy different items of the same brand or different brands to experience a different sight, smell, sound, touch and taste. Brand switching occurs to try a good variety of products and not because of dissatisfaction arising out of the use of the product. Indian consumers, on an average, try about six brands of the same package goods product in one year, compared to two for Americans.

On the basis of the amount of time spent, purchase behaviour can be further classified as shown below, on the basis of the purchase action :

- **Planned Purchases Behaviour.** The purchases are budgeted and scheduled in advance. The purchase as such has been well thought out and predetermined.
- **Emergency Purchase Behaviour.** The purchase is made in a hurry to avoid out of stock situations.
- **Impulse Purchase Behaviour.** The purchase is made spontaneously, by taking a decision on the spot, without verifying the rationality of the purchase.

Behaviour scientists regard the consumer's decision-making process as a problem solving or need satisfaction process. The actual act of purchase is just one stage in a series of mental and physical activities that occur over a period of time.\* Some of these activities precede the actual buying, while others follow it. In some cases, this period is short, while in other cases, it can be quite long, such as one year or more. The consumer passes through a series of steps at the time of purchase. These steps are enlisted below:

**Step-I :** Need Identification/Problem awareness

**Step-II :** Information Gathering

**Step-III :** Evaluation of alternative solutions

**Step-IV :** Selection of appropriate solution

**Step-V :** Post purchase evaluation of decision

### Determinants of Rural Consumer Behaviour

The determinants of rural consumer behaviour can be grouped into three major parts namely economic, psychological and sociological. An attempt is made to elucidate these with least complications.

#### 1. Economic Determinants

Economic scientists were the first among social scientists to study consumers and their behaviour and provide details about the solutions to the consumer and consumption problems. Man is a social and rational human being. The basic economic determinants, among others, are : personal income-family income-income expectations, level of consumer credit and level of standard of living.

#### 2. Psychological Determinants

Psychologists have also provided certain clues as to why a consumer behaves this way or that way. The major psychological determinants internal to the individual are-motivation-perception learning-attitude and personality.

#### 3. Sociological Determinants

In the area of psychological determinants, the consumer behaviour was seen from the stand point view of an individual. However, the sociologists and social psychologists have attempted to explain the behaviour of a group of individuals and the way in which it affects the conditions of an individual's behaviour in marketing or purchase decisions. These groups of individuals as determinants are-family-reference groups-opinion leaders-social class and caste and culture.

### Classification of Rural Consumers

The rural consumers are classified into the following groups based on their economic status:

- **The Affluent Group** : They are cash rich farmers and a very few in number. They have affordability but do not form a demand base large enough for marketing firms to depend on. Wheat farmers in Punjab and rice merchants of Andhra Pradesh fall in this group.
- **The Middle Class** : This is one of the largest segments for manufactured goods and is fast expanding. Farmers cultivating sugar cane in UP and Karnataka fall in this category.
- **The Poor** : This constitutes a huge segment. Purchasing power is less, but strength is more. They receive grants from the government and reap the benefits of many such schemes and may move towards the middle class. The farmers of Bihar and Orissa fall under this category.

### Buying Decision Process

The BDP follows a logical sequence of five steps

- a) **Need Recognition:** When the buyer recognizes a gap between his desired state and his actual state, buying process starts. Such recognition may be caused by stimuli either internal (self) or external (by environment or marketer). At this stage, marketer should help consumers identify their current and future problems and felt or latent needs. To do this, marketers have to research on consumer problems and needs.
- b) **Information search:** Generally, consumers try to find information pertaining to their want satisfying products to make the right choices. The amount of information required depends upon:
  - Type of the product — convenience, shopping or specialty good.
  - Nature of the product — complex, high-tech or simple and easy to distinguish
  - Availability of sources — the consumer may obtain information from one or more of the following sources
    - Personal — family, friends, neighbors
    - Commercial — advertising, sales people, displays
    - Public — TV, radio, internet and print media
    - Experiential — handling, examining, using the product

Search expands with the availability of time. Marketers have to take into cognizance this aspect and design offers to induce immediate buying. Keeping in mind the information needs of consumers, marketers should design communication programmes to reach the consumers and provide adequate and relevant information.
- c) **Evaluation of alternatives :** The evaluation process may be done more carefully and logically in some cases, for example, consumer durables. In case of convenience goods, which are purchased for one-shot consumption, the evaluation may be very less. Occasionally, it may be impulse buying too.
- d) **Purchase decision :** All the existing brands in the market make a total set. Through information search consumer will become aware of some brands in the total set. Awareness set consists of brands which the consumer is aware of the brands which meet initial buying criteria will be considered for further evaluation. They make up the consideration set. Through application of final criteria, the consumer evolves his choice set.



All the brands in this set are acceptable to the consumer. However, the final choice will be made in favour of one brand. The choice is dependent upon factors influencing the mind of consumer at this final state

- e) **Post-purchase behaviour** : A buyer feels satisfied when the perceived product performance is close to his/her expectations, if it exceeds expectation, the customer is delighted. If it falls short of expectations, the customer is disappointed.

### Factors Influencing Rural Consumer Behaviour

The various factors that effect buying behaviour of consumers in rural India are:

1. **Environment of the consumer.** The environment or the surroundings, within which the consumer lives, has a very strong influence on his behaviour, egs. Electrification, water supply affect demand for durables.
2. **Geographic influences.** The geographic location in which the rural consumer is located also speaks about the thought process of the consumer. For instance, villages in South India accept technology quicker than in other parts of India. Thus, HMT sells more winding watches in the north while they sell more quartz watches down south.
3. **Influence of occupation.** The land owners and service clan buy more of Category II and Category III durables than agricultural laborers/farmers.
4. **Place of purchase** (60% prefer HAATS due to better quality, variety & price) Companies need to assess the influence of retailers on both consumers at village shops and at haats.
5. **Creative use of product** Ex Godrej hair dye being used as a paint to colour horns of oxen, Washing machine being used for churning lassi. The study of product end provides indicators to the company on the need for education and also for new product ideas.
6. **Brand preference and loyalty** (80% of sale is branded items in 16 product categories)

## 1.5 CONSUMER SEGMENTATION

### Introduction

A Market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.

Market segmentation can be defined as the process of dividing a market into different homogeneous groups of consumers.

Market segmentation is the process in marketing, of dividing a market into distinct subsets (segments) that behave in the same way or have similar needs. Because each segment is fairly homogeneous in their needs and attitudes, they are likely to respond similarly to a given marketing strategy. They are likely to have similar feelings and ideas about a marketing mix, comprised of a given product or service, sold at a given price, distributed in a certain way and promoted in a certain way.

### Definitions of Market Segmentation

**According to William J. Stanton,** "Market segmentation consists of taking the total heterogeneous market for a product & dividing it into several sub-market or segments, each of which tends to be homogeneous in full significant aspects.

**According to R. S. Davas,** "Grouping of buyers or segmenting the market is described as market segmentation."

### 1.5.1 Levels of Market Segmentation

#### 1. Segment Marketing

A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. For example, an auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury or safety.

#### 2. Niche Marketing

A niche is a more narrowly defined group, typically a small market whose needs are not well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distinctive mix of benefits. For example, the segment of heavy smokers includes those who are trying to stop smoking and those who don't care.

### 3. Local Marketing

Target marketing is leading to marketing programs being tailored to the needs and wants of local customer groups (trading areas, neighborhoods and even individual stores). Citibank provides different mixes of banking services in its branches depending on neighborhood demographics.

### 4. Individual Marketing

The ultimate level of segmentation leads to "segments of one", "customized marketing," or "one-to-one marketing". For centuries, consumers were served as individuals: The tailor made the suit and the cobbler designed shoes for the individual.

#### 1.5.2 Bases for Market Segmentation

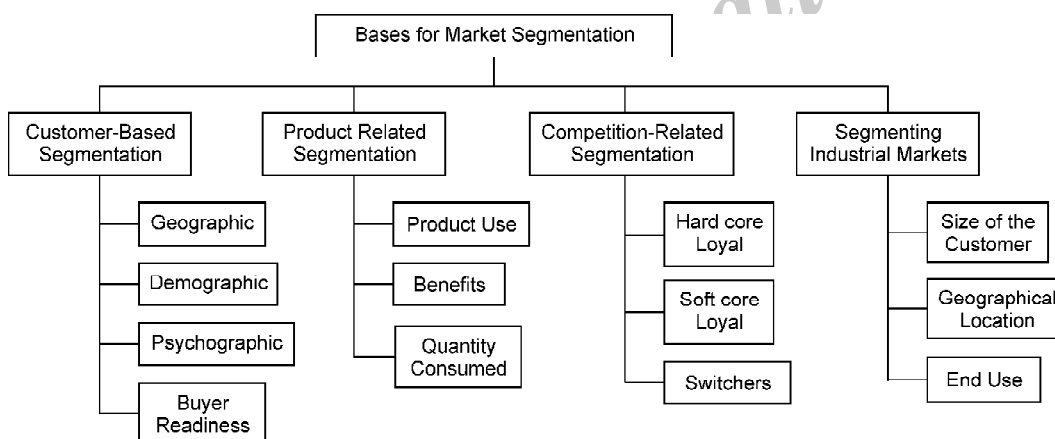


Fig.: Bases for Market Segmentation

#### 1. Customer Based Segmentation

- i) **Geographic Location of Customer** : This is generally the starting point of all market segmentation strategies. The geographic location of customers does help the firm in planning its marketing offer. Quite common is the rural and urban divided in the consumer market.

- ii) **Demographic Characteristics** : The next commonly used basis for market segmentation is the demographic characteristics of the market. Factors like age, education, income, occupation, sex, family size and marital status are used singly, or in a combination, to segment the market.
- iii) **Psychographics Variables** : Often it has been seen that two consumers with the same demographic characteristics may act in an entirely different manner. Even though the two may be of the same age, from the same profession, with similar education and income, each of the customers may have a different attitude towards risk-taking and new product and stores.
- iv) **Buyer Readiness** : Another variable used for segmenting the market is buyer 'readiness' or preparedness to buy the product. At any given time, buyers are at different stages of readiness. There are unaware buyers, people who are aware but not interested, people who are interested and are desirous to buy and lastly, those who will positively buy the product.

## 2. Product Related Segmentation

- i) **Product Use Situations** : One of the important basis is the product use situations. Different customers may use the same product in different use situations. Rasna, for e.g. is shown as being used in different situations like in a party, the unexpected guests, a drink at the end of a long and tiring working day, etc.
- ii) **Benefits Segmentation** : Here, the marketer identifies benefits that a customer looks for when buying a product. This has been a very effective method of segmenting the market for watches, where a customer may buy for just knowing the time, or durability, or as a gift/ an accessory/ a dress item/ a jewellery item.
- iii) **Quantity Consumed** : The quantity consumed at any given time also has been the basis for segmenting the beverages (tea, coffee), soft drinks, breweries, and cigarette markets. Accordingly, the following market segments are visible.
  - a) Heavy users,
  - b) Moderate users,
  - c) Light users,

The differentiation between them is based on the benchmark quantity defined by the marketer for each segment.

### 3. Competition Related Segmentation

- i) **Hard Core Loyal** : Hard core loyals are those customers who continue to buy the same brand over and over again. Newspaper readers, cigarette smokers and tea drinkers are some customer groups where such hard-core loyalties are commonly visible.
- ii) **Soft Core Loyal** : Those who are loyal to two or three brands in a product group are called soft-core loyals. For example, a housewife who buys lux, lux, cinthol, cinthol, cinthol, and pears, pears, lux in her nine shopping expeditions will be considered as a soft core loyal. The marketer needs to watch such customers and motivate them to shift to the hard core loyalty segment.
- iii) **Switchers** : Switchers are those customers who never stick to a brand. These are the customers for whom brand switching is as easy as changing a shirt. They may switch for a variety or for a special deal.

### 4. Segmentation Industrial Markets

- i) **Size of the Customer** : This has been one of the traditional methods of segmenting industrial market. Based on the size and purchase, we may have
  - a) Large buyers
  - b) Medium sized buyers
  - c) Small buyers
- ii) **Geographical Location** : The geographical location of a customer or customer accounts is another basis for segmenting the industrial products markets. For example, firms located in the Thane-Belapur belt constitute one segment for a telecom firm, while firms located at Nariman point in Bombay is another market segment or plan.
- iii) **End Use** : Another way of segmenting the industrial market is by differentiating the end-users who use the firm's product. For example, for a steel manufacturer, some of the end user segments include automobiles, construction, office furniture, cables etc. Each of these segments has their characteristics and requires a different marketing approach.

### 1.5.3 Criteria for selecting Market Segments

1. **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.
2. **Accessible** : A segment should be accessible through channels of communication and distribution like: sales force, transportation, distributors, telecom, or internet.
3. **Durable** : Segment should not have frequent changes in it.
4. **Substantial** : Make sure that size of your segment is large enough to warrant as a segment and to be profitable
5. **Unique Needs** : Segments should be different in their response to different marketing efforts (Marketing Mix).

Consumer and business markets cannot be segmented on the basis of same variables because of their inherent differences.

### 1.5.4 Factors Influencing Segmentation

#### 1. Size, Objective and Resource of the Company

The size of the company and the resources it has will dictate to a great extent how it segments its market. For example, the Ford Motor Co. will want to sell to the world and so segment on a global scale whilst the local hairdresser will service a very small catchment area and segment accordingly. Resources of company also determine the extent of segmentation, as companies having moderate resources will have limited segmentation whereas companies having substantial will have broad segmentation.

#### 2. Type of Product and Market

Some companies have a simple product portfolio that lends itself to easy segmentation, e.g., bread, potatoes, petrol, industrial cleaning products, whilst others have a more complex product mix making it much harder, e.g., catering and hospitality services, financial services, fashion clothes.

#### 3. Competitive Structure of the Industry

The more competitive the market, the more each organisation will look towards differentiating their product so as to gain competitive advantage. The greater the selection or often, more consumers will demand choice and greater will be the need for tight segmentation.

**4. Nature of Market**

Nature of market also influences the segmentation decision. Segmentation strategies differ according to the market such as from competitive market to non-competitive market.

**5. Life-cycle Stage**

Life-cycle stage of a product also effects segmentation decisions.

**6. Competitive Strategy of Firm**

Competitive strategy of a firm also has an influence on segmentation. Organisations that choose to segment the consumers and focus on target markets are more successful in highly competitive environments.

**1.5.5 Market Segmentation Strategies**

After segmentation, marketing strategies are formulated. Choosing the right strategy is critical for the survival of any organisation. An organization can choose one segment (one or multiple products) or multiple segments (one or multiple products).

**1. Concentration Strategy**

In case a marketer chooses to target a single segment, it is called concentration strategy. This kind of strategy has high risk but it can bring benefits due to economies of scale from using only one marketing mix. An example is Volkswagen, which concentrates only on the small car segment.

**2. Selective Segmentation Strategy**

Marketers can also pursue slightly unrelated but commercially promising segments which diversify the firm's risk. A separate marketing mix is formulated for each segment. An example is Living Media India Ltd., which is in magazine business (India Today and Business Today), news channel (Aaj Tak), music (Music Today), art (Art Today), books (Book Club), etc.

**3. Product Specialization Strategy**

In a product specialization strategy, the firm may choose to specialized in one product only and sell it to various segments. An example is Nokia, which is a mobile-phone marketer, and caters to a large variety of segments.

**4. Market Specialization Strategy**

In a market specialization strategy, the marketer focuses on one consumer segment and serves all its needs. Although the products are different, only a single segment is being catered to. A university can be cited as an example of market specialization with all the different products (courses) targeted at one segment (students).

**5. Full Market Coverage**

Big marketers have the resources to cater to the full market. The two strategies which can be adopted for this purpose are – differentiated marketing strategy and undifferentiated marketing strategy. Marketers generally formulate a differentiated marketing strategy for each segment.

**6. Counter-Segmentation Strategy**

Segmentation is used to divide the markets into homogeneous parts. But sometimes, marketers may feel that there is no significant difference in many segments they operate in, or that the division has blurred with time and change in consumer demographics. In such a case, marketers usually follow a counter segmentation strategy, i.e., club all the segments together and formulate a common marketing mix.

**1.5.6 Advantages / Benefits of Market Segmentation**

Following are some of the benefits as cited in leading marketing books.

**1. Customer needs**

It is easier to understand the exact needs of the customer and target the marketing strategy at a particular group. It is much easier and more successful to create and promote specific and customised products and services.

**2. Profit Potential**

Mass marketing is a strategy of the past. Target marketing and positioning creates new potential customers and new ideas for new products and services. Companies can create better products and hence maximise their potential profit.

**3. Growth**

Segmenting the markets creates further opportunities for business growth. Specific groups require specific products.



**4. Retaining Customers**

It is a great way to retain customers. Firms can establish a life-long relationship with their consumers via formulating an effective market segmenting strategy.

**5. Right Target Market**

The company's resources are utilized for producing the right product for the right customer.

**6. Market Share**

Segmenting business and consumer markets is important to maintain existing market share and expand it. A successful company needs to gain competitive advantage by looking closely at the specific needs of customers and devising strategies to provide maximum benefit and value.

**1.5.7 Limitations of segmentation**

Segmentation also has its limitations as it needs to be implemented in the proper manner. As segmentation is one of the most important process in the marketing plan or for your business, you need to know the limitations of segmentation and what pitfalls lie ahead if you go wrong with your target market segment.

**1. Segments are too small**

If the chosen segment is too small then you will not have the proper turnover which in turn will affect the total margins and the viability of the business.

**2. Consumers are misinterpreted**

The right product to the wrong customers. What if your market research says that your customers want a new soap and you come out with a new facial cream. The concept is same, cleanliness. But the product is completely different.

**3. Costing is not taken into consideration**

Targeting a segment is ok but you also need to know how much you will have to spend to target a particular segment. If it is a Sec A segment and you do not have the budget to be present in the places the Sec A customer visits, then your segmentation strategy is a failure.

**4. There are too many brands**

Along with segmentation, you also need to check out the competition offered in the same segment from other products. Getting into a segment already saturated will mean higher costs and lesser profit margins.

**5. Consumers are confused**

If the consumer himself doesn't know whether he will be interested in a particular product or not, then that's a sign that you need to get out of that segment / product.

**6. Product is completely new**

If a product is completely new then there is no market research to base your segmentation on. You need to market it to the masses and as acceptance increases, only then will you be able to focus on one particular segment.

**1.6 TARGETING**

After identification of segments, the marketer has to decide upon the segment (s), he would cater to and directs his market efforts. The target segment is the group(s) of customers that the marketer decides to serve. It comprises or buyers who share common needs, wants and preferences, and the company decides to serve them. The marketer would choose a segment that is viable; and, that he can cater to effectively and efficiently.

**Viability of the Segment**

A segment is regarded to be viable if it is: measurable, substantial, accessible, differentiable and, actionable.

- **Measurable:** The segment should be measurable in terms of the total size, purchasing power and, demographic, geographic and psychographic characteristics.
- **Substantial:** It should be of sufficient size so as to generate profits; it should also have a potential for growth.
- **Accessible:** It should be reachable and easy to enter or penetrate. The marketers must be able to deliver the product or service offering and must be able to operate therein.
- **Differentiable:** One segment should be easily differentiable from another. Clear differences in consumer wants, needs and preferences for the product must exist across segments, and the people therein should react differently from other segments towards a marketing mix program. There should exist a homogeneity within the segment and, a heterogeneity with other segments.
- **Actionable:** It should be possible to design a marketing program directed towards that segment and serve it effectively and efficiently. The marketer should be able to react to the need, wants and preferences of the segment with the appropriate marketing mix.

### Evaluation and selection of Target Markets

While evaluating and selecting the Market Segments, two issues need to be addressed; one, the overall attractiveness of the segment; and two, the company's objectives and constraints.

#### i) What is the overall attractiveness of the segment?

- This is explained in terms of segment size, sales, growth rate and overall profitability. Structural attractiveness can be elaborated upon to include details on existing competition, entry/exit barriers for competition, availability of substitute products, and the backward power balance equilibrium between supplier and the buyer (i.e. marketer).

#### ii) What are the company's objectives and constraints (physical, financial and time)?

- The marketer needs to address the core competencies and competitive advantage to grow in that segment; this would include the company's hold over resources, skills and competencies and overall strengths in terms of physical and financial resources as well as time constraints.

### Patterns of Target Market Selection

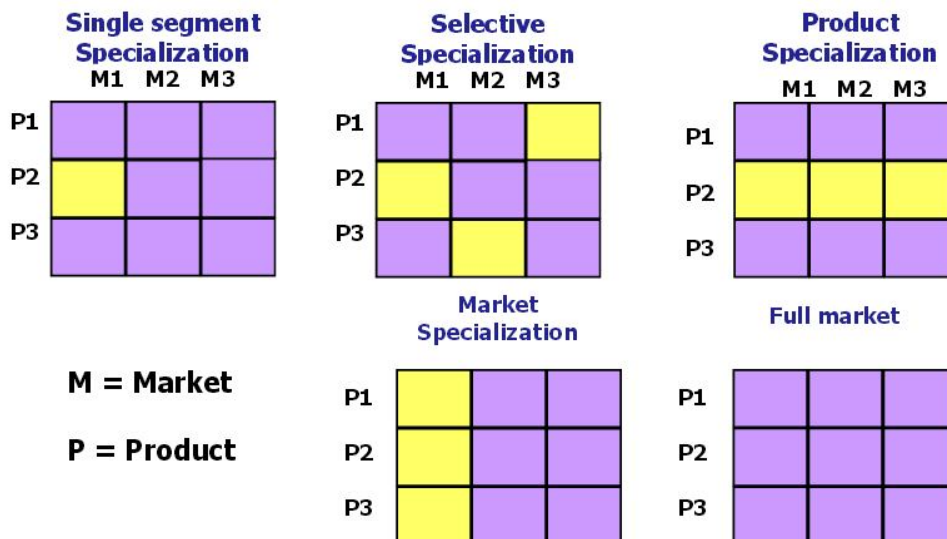


Figure : Patterns of Target Market Selection

Broadly speaking there could be 5 different patterns of target market selection, viz., single-segment concentration, selective specialization or multi-segment, product specialization, market specialization and full market coverage.

- a) **Single-segment concentration:** The marketer decides to cater to a single segment only. Also referred to as concentrated marketing, the marketer understands the needs and wants of the segment and focuses on one segment only. Example: Rolex watches.

The advantages of single-segment concentration are lower costs of production, distribution and promotion. The approach also leads to specialization. There are greater chances of achieving a strong market presence and becoming a market leader in that segment.

However, this approach also suffers from limitations; All the eggs are placed in one basket and if the segment weakens, the marketer is finished. The segments' preferences may change over time and the marketer would need to adapt accordingly. A small change in segment needs, wants and preferences can create a problem. Also, the firm firmly gets entrenched in serving a particular segment only, and once entrenched, there is great difficulty if it wants to diversify or expand into other segments

- b) **Selective specialization or Multi-segment:** The marketer caters to two or a few segments with different marketing mixes. It offers varied product and service offerings with distinct marketing mixes to the various segments. Examples: Maruti Suzuki cars, Soaps and detergents from Procter and Gamble, Tata Group of Hotels.

The advantages of selective specialization are that when the marketer caters to different segments, he can expand and achieve economies of scale and operation and gain out of existing synergies between production, operations and marketing functions. Chances of risk of failing totally are minimized as it diversifies coverage.

The disadvantages of this approach are that the marketer who caters to more than one segment faces a more complex and dynamic environment. The marketer needs to be strong in market research; identify changing needs, wants and preferences across segments and adapt product and service offerings accordingly. He should be able to manage the positioning strategy for various segments.

- c) **Product specialization:** Here, the marketer deals with varying products in the same product line; he/she adapts the product to several different market segments. Example: Gillette. The advantage of this pattern is that when the marketer caters to different segments, with a single product or varying forms of the same product, he can develop specialization and reputation in that product line. The limitation is that if the product matures or dies, the marketer would cease to exist.
- d) **Market Specialization:** The marketer deals with one specific market only; he tries to meet many needs of a particular customer group. Example: The various Ordnance Factories in India exist to cater to meet the various needs of the Defence forces only. The advantage of this pattern is that in case of a monopolistic situation, the marketer has a lot of potential to grow; he would exist to serve the need and wants of the segment. The focus is on catering the needs of a particular market segment only; so the marketer becomes customer focused totally. The disadvantage is that if the segment weakens, the marketer is finished.
- e) **Full market coverage:** Here the marketer caters to the entire market. A full market coverage could assume two forms, differentiated and undifferentiated. In the differentiated form, the marketer would operate in the whole market and offer different products for the various segments; Example: IBM, HP. The undifferentiated form is also known as mass marketing. Here, the marketer would treat the market as a single segment and offer a single product. He would ignore differences amongst various segments; Example: Salt, Pepsi.

The advantages of full market coverage are that a large scale diversification is possible, and the chances of risk of failing totally are minimized. The limitation is that it is difficult for the marketer to be focused/specialized in a product category or in a market.

## 1.7 POSITIONING

### Introduction

As a part of STP, after deciding upon the targets to cater to, the marketer needs to position the product or service offering. Positioning is the act of designing the product and service offering of a company in the minds of the customer's so that

- (i) the consumer can relate the product and service offering to a need or want
- (ii) the marketer can create a distinctive image of himself.
- (iii) the consumer can perceive a brand's characteristics relative to those of competitive offerings.

It is process of creating an image of the product and service offering in the minds of the consumer, trying to differentiate itself from the competitor.

### **Product Positioning**

Product positioning involves a series of decisions and operations that target the generation and maintaining a certain image of the product in consumer's mind, related to the competitor brands.

A product's position includes the perceptions, opinions and feelings the customers have regarding the product, comparing it to the similar products in the market. Therefore, from different points of view, a product can have a lower or higher position compared to other competitor products.

### **Positioning stages**

- **Identifying the key features of the product** – the features that are most useful for the customer must be highlighted.
- **Designing a perceptual map** – by comparing the key features to the key features of competitor brands.
- **Assigning the differentiation criteria for the product** – the product's strong points can be used as competitive advantages.
- **Designing the product image** – conducting advertising activities, focused on the product's strong points in order to generate a positive perception from the customers. Promotional activities are crucial because they create positive positions in customer's mind.
- **Maintaining the image** – is also done through promotional activities, based on previously mentioned strategies, meant to enhance the image and the positive position it has in the consumer's perception.

### **Positioning Strategies along with Promotion Techniques**

Depending on the product's features and company's objectives, there are various positioning strategies along with appropriate promotion techniques:

1. Positioning related to the competition
  - Equal or higher performance – the promotional activities focus on comparing the product with the competition. This must be done carefully so as to not break the law regarding comparative advertising.
  - Avoiding the competition – the promotional messages are focused on product's key features.
2. Positioning related to product's features
3. Positioning related to value-for-money - this method is suitable for products that don't have many features, launders for example, that promote high quality cleansing at a low price.
4. Positioning related to usage method
  - Certain moments of the day: food
  - After physical effort: energy drinks.
5. Positioning by associating the product to a certain user group – suitable for cosmetics, drinks, tobacco. In this case, the message is delivered by actors, tv stars, sports people, musicians.
6. Positioning by product class – the advertising messages compare the product with substitutable products( shower gel and soap).
7. Positioning related to origin place – for example, French wine and fragrances, Belgian chocolate, German beer, Scotch whiskey. The messages are focused on the good reputation of some products originating from certain areas.

A marketer could choose amongst two kinds of positioning strategies; he could either opt for positioning on

- i) Points of parity (POP) or
- ii) Points of difference (POD).

Points of parity could be further sub-divided into Category point-of-parity associations, and Competitive point-of-parity associations.

- i) **Points of parity (POP):** Here the product in question is not unique in nature; it is shared by other competitive brands; The product or service offering is similar to that of the competitor. Example: Complain, Milo and Bournvita: Positioned as: All help children to grow. POP has two basic forms, viz.,

(a) Category point-of-parity

(b) Competitive point-of-parity.

**a) Category point-of-parity:** The product or service offering should possess these qualities in order to qualify being a part of the product or service category. These are the bare minimum that all the brands should possess in order to qualify as a part of the product or service industry. Example: All mouthwashes contain antimicrobials; they are also minty.

**b) Competitive point-of-parity:** These are developed to fight against and balance out with the competitors' points-of-difference.

**Example:** Listerine vs Scope: Listerine claims to leave you fresh after a rinse and prevents bad breath; Scope claims that it does the same but in a milder way.

**Other examples:** Savlon versus Dettol: Savlon does not sting when applied on wound

**ii) Points of difference (POD):** Here the product or service offering is unique; The positioning is based on the USP (Unique Selling Proposition). The uniqueness should be something that the 'customers value', and can relate to favorably. This USP leads to differentiation and can thus, develop competitive brand positioning. The product and service offering can be differentiated on the basis of product, service, people, image and public relations etc. Example: Auto color and contrast setting; LG Golden Eye.

### Product re-positioning

Sometimes during its existence, a company may notice that its products' image is outdated, or can be improved. Then the company starts re-positioning its products in customer's perception.

Re-positioning consists in identifying a new, unoccupied market position and promoting the product based on the new criteria.

Re-positioning is suitable for minimizing company's own products' competition. The business is trying to make a difference in the way the consumers perceive the similar products they furnish.

Re-positioning requires a sustained promotional campaign and bring forward many risks.



## 1.8 SEGMENTATION AND BRANDING

Market segmentation as a method of building strong and stronger brands.

A major criticism put forward by commentators is mass marketing rather than market segmentation remains more efficient and powerful in building strong brands. The most high profile questioning of the role and value of market segmentation has come from Kennedy, Ehrenberg & Long (2000) in an award winning MRS Conference paper, who argue strongly that because competing brands aim to be similar the value of market segmentation is small.

Kennedy et al analysis yields two primary findings:

1. That demographic profiles of directly competing brands rarely differ;
2. That different segments rarely differ in their use of brands.

From this data they conclude that 'brands therefore rarely differ from the average brand in the category and when they did so it was not by much, nor was it of practical importance'. Kennedy et al go on to argue that 'brand segmentation generally does not exist – substitutable brands usually compete in what for them is a single mass market'. In striving to be similar, competing brands will almost inevitably attract similar types of consumers.

In conclusion, Ehrenberg et al suggest that the implications of these facts for brand positioning, targeting and media planning are that brands can operate in large unsegmented mass markets or in large sub markets.

While we agree with this conclusion, we would suggest that market segmentation continues to have a role in building strong brand. This reflects the fact that competitive advantage is founded not on the ability to identify and describe distinct segments but on gaining superior insights into why consumers behave in a particular way.

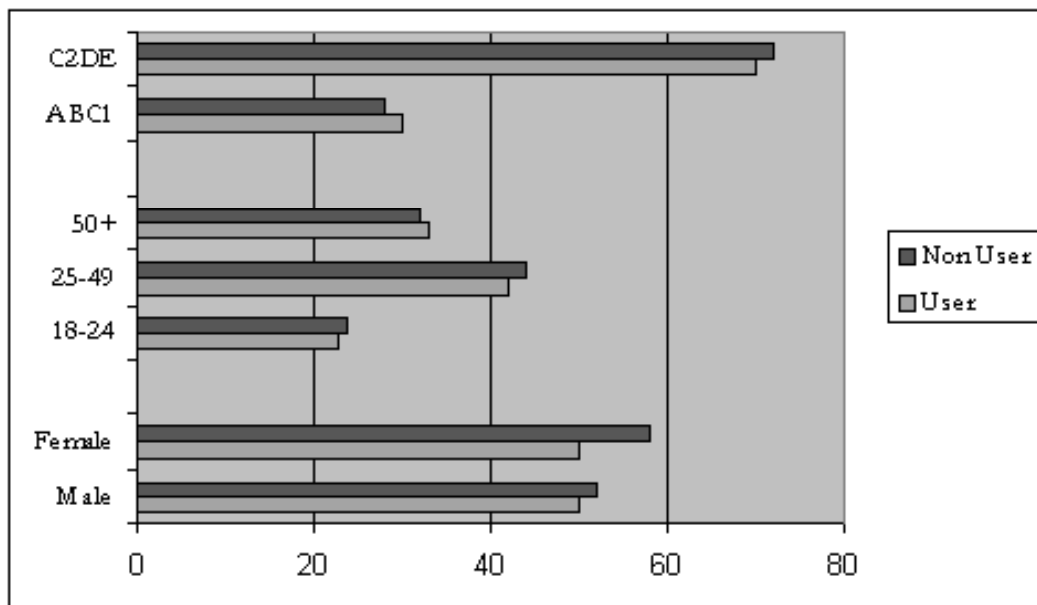
### How to use segmentation to build strong brands

As in other contexts, market segmentation for the purposes of brand building is primarily used as a descriptive tool. This has resulted in an on-going debate over relative importance of 'who buys' versus 'how many buy'.

However, undue emphasis on these questions has obscured the real value of segmentation which is in delivering an understanding of why consumers prefer/buy one brand over another. As necessary steps along the way we expect to understand how many people buy our brand and who they are but more importantly, from the marketer's perspective, to understand why consumers behave in different ways and to determine how best to leverage this.

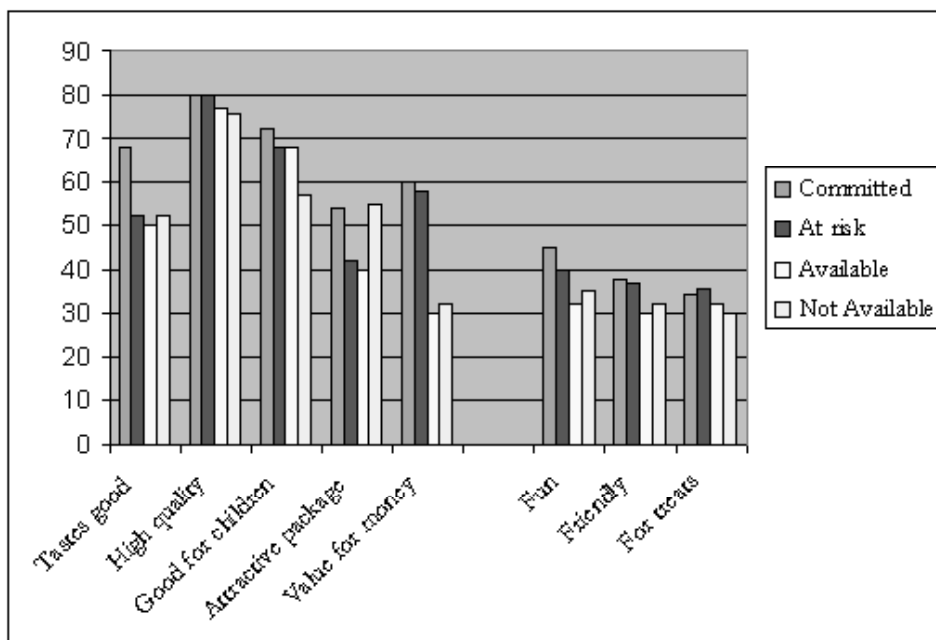
While Ehrenberg et al argue strongly that the user profile of competing brands hardly differ, we would suggest that segmentation of the market based on appropriate variables can generate considerable insight. This example supports Ehrenberg et al basic point (Figure 1).

**FIGURE 1: USER PROFILES OF DIFFERENT SEGMENTS HARDLY DIFFER**



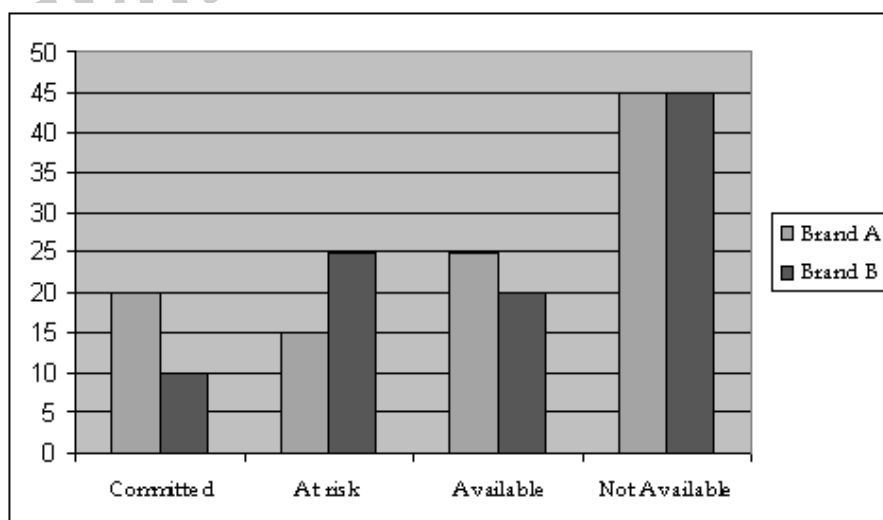
However, a segmentation of the market based on consumers' commitment to their brands reveals a different picture

**FIGURE 2: – USER PROFILES BASED ON MOTIVATION FOR COMMITMENT**



Overlaying this with consumers' evaluations of each brand's features and benefits and their relative importance in making decisions (Figure 3) delivers considerable understanding of why consumers behave differently.

**FIGURE 3: EVALUATION OF COMPETING BRANDS**



In essence it comes back to the objectives of the segmentation. In this fmcg example, segmentation is used as an analytical tool to understand why consumers are behaving in a different way. The client's objective was to determine how best to position their brand to increase their share of the market. What this allowed the client to do was to understand the mass market and to focus resources in the areas that would maximise profitability for their brand.

As this example clearly demonstrates it is critical to understand the objectives of the segmentation and to use the right variables to achieve them. In choosing the right variables we should come back to the old comment that 'good segmentation variables are ones that help us to explain differences in consumer behaviour' (Well, 1975). More specifically, thinking about branding and understanding what drives brand preference is a different question to understanding who are the people consuming that brand.

In the example above, it was very clear from the outset that there was no point in operating in a segmented market. However, in other categories, particularly service industries, there is a need to position and deliver the value proposition in different ways to different customers. We would now like to turn to explain how market segmentation can be effectively used in this context.

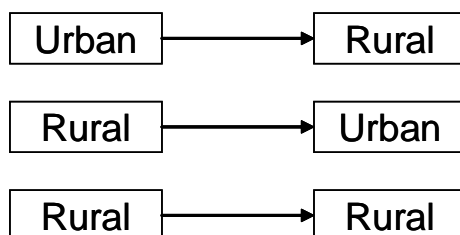
The task for this client was to be able to deliver a relevant brand proposition to existing and potential customer groups, in order to maximize the value of each customer. It was hoped to provide a specific proposition for each segment tailored to the motivational drivers of purchasing to maximize value.

As is often the case with motivational data it was not available 'off the shelf' from the client or other sources. Furthermore it is not possible to 'construct' the information from data fusion or modeling look-a-likes. Thus we had to establish the motivation of each new prospect rather than aggregate the information from our existing customers.

In trying to understand the drivers, the client found that the only way to establish this was to talk to each prospective customer. While this is no easy task, it's also not as bad as it initially sounds. The solution was an ongoing commitment that went to the heart of one-to-one marketing. In technical terms, cluster analysis followed by discriminant analysis was used in order to determine a short set of questions which could be used at multiple touch points to establish the key drivers of each customer. The touch points were call center in-bound and out-bound communications, in store face-to-face questioning, direct mail questionnaires appended to each communication and web site activity. While long winded and certainly not a simple panacea, this was a truly credible and effective way of segmenting a market based on the driving motivation for purchase and building a brand around a segmentation.

## 1.9 RURAL MARKETS

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific products services leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives.



It is a two-way marketing process wherein the transactions can be:

### 1. Urban to Rural

A major part of rural marketing falls into this category. It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.

### 2. Rural to Urban

Transactions in this category basically fall under agricultural marketing where a rural producer seeks to sell his produce in an urban market. An agent or a middleman plays a crucial role in the marketing process. The following are some of the important items sold from the rural to urban areas: seeds, fruits and vegetables, milk and related products, forest produce, spices, etc.

### 3. Rural to Rural

This includes the activities that take place between two villages in close proximity to each other. The transactions are related to the areas of expertise the particular village has. These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Rural marketing requires the understanding of the complexities. Indian agricultural industry has been growing at a tremendous pace in the last few decades. The rural areas are consuming a large number of industrial and urban manufactured products. The rural agricultural production and consumption process plays a predominant role in developing the Indian economy. This has designed a new way for understanding a new process called Rural Marketing.

### Features of Rural Market in India

1. **Large and scattered market:** According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area.
2. **Diverse socio-economic background:** This is different in different parts of the country and brings diversity in rural markets.
3. **Changing demand pattern:** Demand pattern of rural customer is fast changing due to increasing in income and credit facilities offered by banks like 'kisan credit card'.
4. **Major income comes from agriculture:** About 60% of the rural income is from agriculture and hence the demand for consumer goods is high during harvesting season.
5. **Saving habits:** Rural consumer is now having saving habits due to the efforts of co-operative and commercial banks.
6. **Traditional outlook:** Rural customer values old customs and traditions.
7. **Low standard of living:** Rural consumer has low standard of living because of low literacy, low per capita income and social backwardness.
8. **Poor infrastructure facilities:** Facilities like roads, warehouses, communication system, etc. are inadequate in rural areas. Hence physical distribution becomes costly.
9. **Media reach:** The reach of print media is 10% followed by TV 31%, radio 31% and cinema 33%.
10. **Communication:** As per Indian Express report about 6 lakhs villages are without telephone facilities.
11. **Electrification:** About 88% of villages have been electrified and rest will soon get electricity by "Rural Electricity Corporation".

### Scope of Rural Marketing

1. **Large Population:** According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area
2. **Rising Rural Prosperity:** Average income level has improved due to modern farming practices, contract farming, industrialisation, migration to urban areas and remittance of money by family members settled abroad.

3. **Growth in Consumption:** There is a growth in purchasing power of rural consumers. The average per capita household expenditure is Rs. 382.
4. **Changing Lifestyle:** Lifestyle of rural consumer changed considerably.
5. **Life Cycle Advantage:** The products, which have attained the maturity stage in urban market, is still in growth stage in rural market. E.g. popular soaps, skin cream, talcum powder, etc.
6. **Market Growth Rate Higher than Urban:** As per the survey made by NCAER the growth rate of FMCG market and durables market is higher in rural areas. The rural market share is more than 50% for products like body talcum powder, toilet soaps, cooking oil, hair oil etc.
7. **Rural Marketing is not Expensive:** To promote consumer durables inside a state costs Rs one crore while in urban areas it will costs in millions.

#### Importance of Rural Market

Main reason for the marketers and companies focussing on the rural markets and developing effective strategy is to tap an awesome market potential that the rural markets offer. Primary reasons which can be attributed to the sudden growing importance of rural markets are :

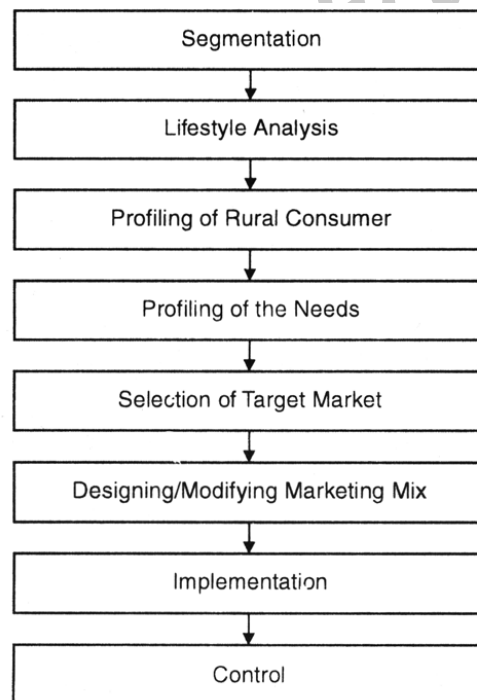
- (a) **Socio-Economic Changes** : A large population which covers almost 75% of total India's population, resides in more than six lac villages spread over the entire length and breadth to nearly 40% of India's middle class resides in rural areas. Lifestyle, habits and tasks, economic status of this section of populace is changing continuously and rapidly. That shows the sudden interest of marketers in the rural markets.
- (b) **Literacy Level** : At the time of independence, literacy level of India was barely 25% which has increased to nearly 75% now. Increased literacy means increasing awareness about the consumer demands and more information at their disposal to satisfy that demand.
- (c) **Increase in Income** : Income levels of people in India in general and that of rural people in particular have really increased. No doubt, their purchasing capacity/power is on the rise. They are in a position to buy more now.
- (d) **Market Growth** : Urban consumer markets according to marketing analysts, are growing annually at around 8-10% but the rural markets in contrast, are growing at around 25% annually. According to experts, urban markets are in replacement mode and most of purchases are for upgradation but demand in the rural markets is fresh.

- (e) **Increase in Expectations** : Rural people because of literacy, have become more demanding and this has caused increase in their expectation levels. Increasing expectations would mean that the marketers will have to match their products and services to the expected demands of the rural people.
- (f) **Development of Infrastructure** : Greater access to various types of media, better connectivity in the form of communication and roads has been made possible by the government Investment as well as private investment. More and more rural people have started enjoying television, internet services, electricity, improved roads and better public transport system.

### Rural Market Process

A step by step process that the rural marketing is, can be described through a model which is going to be entirely different from the conventional marketing model. Marketers must understand this process if they want to be successful in the rural markets.

Different steps involved in the implementation of rural marketing model are as given below :



**Figure : Rural Marketing Model**



**1. Segmentation**

Rural markets are diverse and unique. Each of these markets has rural consumers with quite different lifestyles, socio-cultural, economic and demographic backgrounds. Socio-economic classification is employed for market segmentation. Therefore, the first step for implementing any rural marketing effort is to segment the rural market on the basis of certain parameters which are unique to the rural markets.

**2. Lifestyle Analysis of each Segment of Rural Markets**

An organisation which is going to serve the rural market has to develop an understanding of the lifestyle of the consumers in different rural market segments. This will make it possible to know whether a particular product or service would be needed in a rural market segment. It will also help in devising a strategy to market that product.

Lifestyle analysis is important because it broadly defines and prioritises the consumer needs in a market segment. In some cases, it may not be buying capacity but the lifestyle of the consumers that influences the demand for a given product. For example, washing of clothes at the village, well or pond almost rules out the use of detergent powder even if the consumers want to use it and also have the capacity to buy it. Similarly, the availability of running water and an assured supply of electricity, not just the consumer's buying capacity, determine whether a particular market will buy a washing machine or not.

**3. Rural Consumer Profiling**

The lifestyle analysis enables a business organisation to develop a generic profile of the consumers in a rural market segment. This profile should be considered while designing or modifying the marketing mix for that market. Here the regional and local organisations are in an advantageous position as they are fully aware of the consumer's profile in a rural market segment, and they can design an appropriate marketing mix to make a mark in that segment.

**4. Defining and Prioritising Needs**

Analysis of the general profile of a rural consumer can help the business organisations to identify the needs of such consumers in general terms. A marketer can then translate these needs in more specific terms, from the perspective of different product categories.

### 5. Selection of Target Market

After undertaking the preceding steps, a business organisation can evaluate whether it could serve the needs of a particular market segment effectively and efficiently with its present or modified marketing mix.

If the organisation finds a compatibility between the consumer needs and its marketing mix in a rural market segment, then that segment can be identified and selected as its target market. It can also analyse what modifications would be required in the marketing mix if a particular market segment has to be targeted. And lastly, whether it would be feasible to modify the marketing mix to serve a particular market segment. Market research is needed to identify and select rural market segments that an organisation can cater to, and to devise a marketing mix for them. For, it might be nearly impossible to cater to the entire rural market of India in an optimum manner with the same marketing mix.

### 6. Designing or Modifying Marketing Mix

Every marketer needs to consider modifications in different elements of its marketing mix to serve the diverse rural market of India. It can be in the organisation's interest to alter either the promotional campaigns or the product packaging across different territories in order to suit varieties in tastes and preferences of consumers.

### 7. Implementation

Rural marketing is basically an implementation problem. Serving such a huge, widely scattered and highly heterogeneous territory could be a gigantic task for any organisation. The retail channel plays a very significant role in providing ultimate connectivity with the rural consumers. The strategy to manage the rural retail channel is very important - not only from the planning point of view but also from the implementation perspective.

Rural marketing plans cannot be implemented with an urban mindset. Therefore, an organisation needs to make a comprehensive effort and ruralise its strategy in a real sense to make significant inroads in the rural market. Those organisations which make half-hearted and superfluous efforts to implement rural marketing and plans, are likely to have limited success. To have a meaningful success in the rural market an organisation has to be as passionate in implementation as it shows in its planning.

## **8. Control**

Rural market is not as it used to be and will not be the same in the future either. Therefore, organisations aiming to achieve success in the rural market need to constantly research the developments in rural territories.

Organisations also need to have systematic processes to facilitate effective upward communication, so that the feedback from the market reaches the planning bodies through the sales force and the retail channel. This information however needs to be analysed properly and acted upon timely because in the rural market place, the timing of an action is just as important as the action itself. Regional and local organisations, due to their flexibility and pace of decision-making, are able to generate a significant preference for themselves among the channel partners.

### **Factors contributing to the growth of rural marketing:**

#### **1. New Employment Opportunities**

The income from new employment and rural development efforts launched in the rural areas has increased the purchasing power among the rural people. Self employment policy with the assistance from the bank has become a great success in rural areas.

#### **2. Green Revolution**

A technological break through has taken place in Indian agriculture. Rural India derived considerable benefit from green revolution. Today, rural India generates 185 million tones of food grains per year and substantial output of various other agricultural products.

#### **3. Expectation Revolution among Rural Masses**

More than the green revolution, the revolution of 'rising expectation' of the rural people influenced the marketing environment of rural India. It brought about a powerful change in the environmental dynamics. It enlarged the desires as well as the awareness of the rural people.

#### **4. Favorable Government Policies**

As a part of the process of planned economic development, the government has been making concerted efforts towards rural development.

The massive investment in rural India has generated new employment, new income and new purchasing power. In the recent years as part of a new farm policy, high support prices are offered for farm products. Various measures like tax exemption in backward areas, subsidy, concessions, incentives, assistances, literacy drive in rural areas has brought rapid growth of rural markets.

#### **5. Literacy Growth**

The literacy rate is on the increase in the rural areas. This brings about a social and cultural change in the buying behaviour of the rural consumer. They are exposed to mass media which create new demand for goods and services.

#### **6. Growth in Income**

The rise in the income resulting from the new farming strategy is adding meaning and substance to the growing aspirations of the rural people. Remittances from Indians working abroad have also made a sizeable contribution to the growing rural income and purchasing power.

#### **7. Attraction for Higher Standard of Living**

The rural consumers have been motivated to change their consumption habits enjoy a higher standard of living by growing awareness about better living and easy availability of information about the goods.

#### **8. Marketing Efforts**

Firms like Bajaj, HLL, etc., have started penetrating the rural market realizing the rising expectations and the demand revolution in the rural India.

### **Promotion Strategies in Rural Markets**

The promotion measure should be cost effective. Word of mouth is an important message carrier in the rural areas and 'opinion leader' play a significant role in influencing the prospective rural consumers about accepting or rejecting a product or a brand. Other attributes are explained as under:

#### **1. Mass Media**

Mass media is a powerful medium of communication. The mass media generally used are:

- a. Television
- b. Cinema
- c. Radio
- d. Print Media: handbills, booklets, posters, banners, etc.

## **2. Personal Selling and Opinion Leaders**

In personal selling it is required that potential users are identified and awareness is created among them. A highly motivated sales person can achieve this. Word of Mouth holds a lot of validity in the rural areas. This is the reason why opinion leaders are thriving among rural consumers.

## **3. Special Campaigns**

These should be undertaken during harvest & marketing seasons in rural areas. E.g. Tractor owners meet (tonee) conducted by MRF.

## **Distribution Strategy in Rural Market**

Some of the studies reveal that the bigger villages of above 5000 population are fairly covered by the marketing people of various companies manufacturing consumable and durable products. The smaller villages are not fully touched due to various reasons like accessibility, small markets and far distances from towns and villages. Strategies for distribution to various rural segments are discussed as under:

### **1. Small Villages**

In order to reach smaller villages, two types of strategies have to be adopted i.e., reach all villages above 2000 population and reach all those within 50 km radius of big towns and cities. This will help cover about 50% of the rural population and even this extent of coverage means approximately 350 million population and this is a massive coverage. Very small villages below 500 population can be ignored at this stage as the output will not compensate the input.

There should be distribution vans to cover villages on fixed period (atleast once a week) so that the shopkeepers as well as the public are sure of supplies from the feeder centre, which will be a nearby a town or city. The village shop keeper of 2000 population in towns should be used as a distribution channel for shop keepers of very small villages around it. This is essential as some of the smaller villages do not have motorable roads.

### **2. Agro-input Dealers**

Agricultural input dealers have knowhow and scope to deal with rural public as they are already in touch with them for essential inputs like fertilisers, seeds and chemicals. In their transactions they are already managing credit arrangements and hence are in a better position to take care of consumer goods also. This method needs to be tried seriously.

Some of the farmers from agriculturally well off states like Punjab, Haryana, Western UP have improved their per capita income to the level of urban people and can afford to buy more and more consumer goods. With affluence, their awareness of modern goods and facilities also has increased.

In addition to this, the areas where cooperatives of sugar and dairy are stronger, the farmers have better income level and cash flow is steady. It is in such places that the efforts to sell consumer goods give results. These farmers will set a trend for other farm communities.

### **3. Activising Co-operative Societies**

Though cooperatives have been started mainly for input and output of rural produce, there is scope and possibility to use these premises and offices for marketing of consumer goods to rural people. Throughout India, there are about three lakh cooperative offices working in different names like 'marketing cooperatives', 'credit cooperative society', 'farmers' service cooperative societies' and various local level cooperatives. There are organisations, some active and some not so active.

The premises and manpower can be better utilised by introducing the consumer durables and consumables required by the rural population. The approach has an institutional backing. The marketing executives can feel safe to keep goods and give credit on institution and Their basis than on the individual basis. The premises of cooperatives is also a good place to keep hoardings and display of items kept for sale.

### **4. Utilising PDS Stores and Petrol Pumps**

These are two unexplored areas to develop market. Public Distribution Systems (PDS) are available throughout the country and even in villages. Similarly petrol pumps are available on all highways, state highways and link roads to towns and big villages. These are two places which are not fully utilised.

In cities, the petrol pumps are very busy and cannot do anything other than giving petrol and diesel to hundreds of vehicles coming to them day and night. In urban and rural areas and less busy roads the petrol pumps have adequate spare time to attend additional functions. Similarly PDS stores which are in private hands have ample time three weeks in a month.

**5. PDS Stores**

PDS stores have now-a-days become least active due to decreasing importance of this scheme and very little gap between market price and PDS prices. This naturally gives scope to make better utilisation of these outlets.

**6. Towns as Feeder Centres**

Towns are frequently visited by rural people for education, cinema, dramas, purchases, medical treatment and various functions. It will be convenient if the town market is used as a distribution channel for various villages surrounding towns. One or two traders in town need to be used as feeders to village stores and also to sell directly to villagers coming to towns. This method is already working in many places and can be further strengthened.

**Problems In Rural Marketing**

Rural marketers face a number of problems, which affect their overall performance. Some of the rural marketing problems are :

**1. Transportation Problems**

The transportation infrastructure is very poor in rural India. There are rural place which are not easily accessible. Over 3 lakh villages (50% of total villages) in India do not have all weather roads. Because of such problems, the Indian rural market, especially in the interiors, has been neglected by Indian Marketers.

**2. Warehousing Problems**

Business firms find it difficult to find appropriate warehousing facilities in rural areas. Although there are godowns available but they lack adequate facilities that could keep the goods in proper conditions.

**3. Communication Problems**

Rural markets are also affected by communication problems. Lack of communications infrastructure in rural areas coupled (joined) with number of languages and dialects (vernacular) make the problem of marketing communication difficult.

**4. Problems of multiple channels**

The rural market needs longer and multiple channels. Direct channel is very difficult to operate due to the scattered nature of rural markets. Because of longer channels and the multiplicity of channels, the cost of distributing is quite high.

**5. Poor viability of Retail Outlets**

In rural India, retailers find it very uneconomical to run retail stores. This is because of scattered nature of population and low purchasing power and consequently low sales turnover for the retailers.

**6. Problem of Finance**

Rural markets face the problem of finance. 60% of India's population (mostly in rural areas) is outside the scope of organized banking sector. Therefore, majority of rural people lack savings for durable goods.

**7. Problem of Sales-Force**

The sales force is reluctant to work in rural markets due to the following problems:

- Lack of infrastructure facilities.
- Problem of multiple languages.
- Problem of humid weather conditions.

**8. Media Related Problems**

A large number of rural households are not exposed to organized media. A good amount of rural people are not exposed to organized media due to low literacy and low income. Therefore, lack of media awareness hinders the growth of rural markets in India.



<p style="text-align: center;"><b>UNIT II</b></p>	<p><b>Environmental Influences on Consumer behaviour:</b> Influence of Culture, Sub Culture, Social Class, Social Group, Family and Personality, Cross-Cultural Consumer Behaviour.</p>
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## 2.1 ENVIRONMENTAL INFLUENCES ON CONSUMER BEHAVIOUR

### 2.1.1 Model of Consumer Behaviour

Consumers make many buying decisions every day. Most large companies research consumer buying decisions in great detail to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy, and why they buy.

Marketers can study actual consumer purchases to find out what they buy, where, and how much. But learning about the whys of consumer buying behavior is not so easy- the answers are often locked deep within the consumer's mind.

The starting point is the stimulus response model of buyer behavior shown in the figure. This figure shows that marketing and other stimuli enter the consumer's "black box" and produce certain responses. Marketers must figure out what is in the buyers' black box.

Marketing stimuli consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment: economic, technological, political, and cultural. All these inputs enter the buyer's black box, where they are turned into a set of observable buyer responses: product choice, brand choice, dealer choice, purchase timing, and purchase amount.

The marketer wants to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects the buyer's behavior. We look first at buyer characteristics as they affect buying behavior and then discuss the buyer decision process.

**Black Box Model of CB**

ENVIRONMENTAL FACTORS		BUYER'S BLACK BOX		BUYER'S RESPONSE
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product Price Place Promotion	Economic Technological Political Cultural Demographic Natural	Attitudes Motivation Perceptions Personality Lifestyle Knowledge	Problem recognition Information search Alternative evaluation Purchase decision Post-purchase behaviour	Product choice Brand choice Dealer choice Purchase timing Purchase amount

The black box model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses.

It can be distinguished between interpersonal stimuli and intra-personal stimuli.

The black box model is related to the black box theory of behaviorism, where the focus is not set on the processes inside a consumer, but the relation between the stimuli and the response of the consumer. The marketing stimuli are planned and processed by the companies, whereas the environmental stimulus are given by social factors, based on the economical, political and cultural circumstances of a society. The buyers black box contains the buyer characteristics and the decision process, which determines the buyers response.

The black box model considers the buyers response as a result of a conscious, rational decision process, in which it is assumed that the buyer has recognized the problem. However, in reality many decisions are not made in awareness of a determined problem by the consumer.

**2.1.2 Factors Affecting Consumer Behavior**

Consumer behavior refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the consumer behavior. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities that promise greater utility. After selecting the commodities, the consumer makes an estimate of the available money which he can spend. Lastly, the consumer analyzes the prevailing prices of commodities and takes the decision about the commodities he should consume. Meanwhile, there are various other factors influencing the purchases of consumer such as social, cultural, personal and psychological. The explanation of these factors is given below.

## 1. Cultural Factors

Consumer behavior is deeply influenced by cultural factors such as: buyer culture, subculture, and social class.

### (a) Culture

Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.

### (b) Subculture

Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by segmenting the market into various small portions. For example marketers can design products according to the needs of a particular geographic group.

### (c) Social Class

Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Here we should note that social class is not only determined by income but there are various other factors as well such as: wealth, education, occupation etc.

## 2. Social Factors

Social factors also impact the buying behavior of consumers. The important social factors are: reference groups, family, role and status.

### (a) Reference Groups

Reference groups have potential to form a person's attitude or behavior. The impact of reference groups varies across products and brands. For example if the product is visible, such as dress, shoes, car etc then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics).

**(b) Family**

Buyer behavior is strongly influenced by the members of a family. Therefore marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles change with change in consumer lifestyles.

**(c) Roles and Status**

Each person possesses different roles and status in the society depending upon the groups, clubs, family, organization etc. to which he belongs. For example a woman is working in an organization as finance manager. Now she is playing two roles, one of finance manager and other of mother. Therefore her buying decisions will be influenced by her role and status.

**3. Personal Factors**

Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age, personality and self concept.

**(a) Age**

Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage.

**(b) Occupation**

The occupation of a person has significant impact on his buying behavior. For example a marketing manager of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes.

**(c) Economic Situation**

Consumer economic situation has a great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

**(d) Lifestyle**

Lifestyle of customers is another important factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

**(e) Personality**

Personality changes from person to person, time to time and place to place. Therefore it can greatly influence the buying behavior of customers. Actually, Personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as: dominance, aggressiveness, self-confidence etc which can be useful to determine the consumer behavior for particular product or service.

**4. Psychological Factors**

There are four important psychological factors affecting the consumer buying behavior. These are: perception, motivation, learning, beliefs and attitudes.

**(a) Motivation**

The level of motivation also affects the buying behavior of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is sufficiently pressing to direct the person to seek satisfaction.

**(b) Perception**

Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe. Similarly, in case of selective retention, marketers try to retain information that supports their beliefs.

### (c) Beliefs and Attitudes

Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard.

## 2.2 INFLUENCE OF CULTURE

### Introduction

Culture is everything that is socially learned and shared by the members of a society. Culture consists of material and non-material components. Non-material culture includes the words people use; the ideas, customs, and beliefs they share; and the habits they pursue.

Culture is “the sum total of learned beliefs, values and customs that serve to direct the consumers behavior of members of a particular society”.

**Mr. Edward B. Tyler** defines culture as “that complex whole that includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society”.

### 2.2.1 Characteristics of Culture

#### 1. Culture is Invented

Culture does not simply “exist” somewhere waiting to be discovered. People invent their culture. This invention consists of three interdependent systems or elements:

- i) **An ideological system**, or mental component, that consists of the ideas, beliefs, values and ways of reasoning that human beings learn to accept in defining what is desirable what is and undesirable.
- ii) **A technological system** that consists of the skills, crafts, and arts that enable humans to produce material goods derived from the natural environment; and
- iii) **An organisational system** (such as the family system an social class) that makes it possible for humans to coordinate their behavior effectively with the actions of others.

**2. Culture is Learned**

Culture is not innate or instinctive, but is learned beginning early and is charged with a good deal of emotion. The great strength of this cultural stamp handed down from one generation to another is such that at an early age, children are firmly imbued with their culture's ways of acting, thinking, and feeling. This obviously has important implications for the behavior of consumers, because these preconditions of that behavior are molded by their culture from birth.

**3. Culture is Socially Shared**

Culture is a group phenomenon, shared by human beings living in organized societies and kept relatively uniform by social pressure. The group that is involved in the sharing may range from a whole society to a smaller unit such as a family.

**4. Cultures are Similar But Different**

All cultures exhibit certain similarities. For example, each of the following elements is found in all societies: athletic sports, bodily adornment, a calendar, cooking, courtship, dancing, education, family, gestures, government, housing, language, law, music, religious ritual, and numerous other items. There is, however, great variation from society to society in the nature of each of these elements, which may result in important consumer-behavior differences around the world.

**5. Culture is Gratifying and Persistent**

Culture satisfies basic biological needs as well as learned needs. It consists of habits that will be maintained and reinforced as long as those who practice them are gratified. Because of this gratification, cultural elements are handed down from generation to generation. Thus, people are comfortable doing things in the customary way.

**6. Culture is Adaptive**

In spite of our resistance to change, cultures are gradually and continuously changing. Some societies are quite static, with a very slow rate of change, while others are more dynamic, with very rapid changes taking place.

**7. Culture is Organised and Integrated**

A culture "hangs together" that is, its parts fit together. Although every culture has some inconsistent elements, it tends to form a consistent and integrated whole.

## 8. Culture is Prescriptive

Culture involves ideal standards or patterns of behavior so that members of society have a common understanding of the right and proper way to think, feel, and act. Norms are society's rules or guidelines specifying what behavior is appropriate or inappropriate in given situations.

### 2.2.2 Cultural Values

The cultural values has been defined by Milton J Rokeach as "beliefs that a general state of existence is personally and socially worth striving for".

Rokeach believes the cultural values to be the terminal values or goals to be achieved or set. The values have also been divided into other category known as instrumental values which are the means for achievement of the desired goals.

#### Measurement of Culture

The following are the different methods of measuring the culture,

##### 1. Observation

Under this method a group of people belonging to a specific society are selected and observed by trained observers. Their behaviour is carefully studied and on the basis of these observations the solutions for the beliefs, values and customs of the society are drawn.

The basic characteristics of this technique are

- (i) It is carried out in a natural environment.
- (ii) It is done without understanding the aim of study or subject.
- (iii) The observation of behaviour is its main focus.

This method helps in gaining the complete insight of the culture.

##### 2. Content Analysis

Under this technique the contents of past and present media are analysed for understanding the cultural changes. Usually the advertisements or articles or message or any communication contents are studied and analysed in detail to understand the changes and amount of changes that have taken place in the society. This technique can also be used on cross-cultural basis.



### **3. Value Measurement Survey Instruments**

Under this method the values are measured by a survey research. The data collection instruments known as value instruments are used by the researchers. The survey includes a questionnaire which includes questions relating to social and personal concepts such as freedom, comfort, national security and peace.

### **4. Attitude Measurement Tests**

Under this technique the beliefs and values of culture are specified.

### **5. Projective Tests**

This technique is useful for assessing individual's motivation and personality.

### **6. Depth Interview and Group Discussions**

The emerging cultural characteristics can be discovered with the help of this technique.

## **2.2.3 Traditional and Changing Indian Values**

Through the passing/changing of time India is also experiencing various changes in its values practiced which are as follows,

### **1. Diversity in Religions, Culture, Customs**

India is basically a multireligious country, because different people of different religions like Hindus, Christians, Muslims, Buddhists, Sikhs, Parsis, Jains and so on reside in India. Each and every religion has its sections, sub-sections, castes and sub-castes and also its own customs, rituals, and practices which are being followed by all the generations.

Different states follow different languages with hundreds of dialects and sometimes people even speak a mixture of languages because of the existence of migrating population.

Almost all the religious communities hold/posses their own traditional way of dressing, wearing ornaments, jewellery, food habits and so on. But with the changing demographics all the rituals, traditions and customs have also undergone changes.

For instance, Traditionally Indian hindu women used to wear only sarees and men used to wear dhoti but now this trend changed completely and the hindu women and men usually are preferring to dress in western outfits.

## 2. Traditionalism and Materialism

Traditionalism is the process of laying greater importance on the family patriotic values and work culture. From the early ages itself Indians were always family oriented. Even when they are away from their families they maintain their relationship and also keep up their affection in the same way as if they are in the family itself.

Indians are not only following traditionalism from ages but they are also following materialism, i.e. they collect and store wealth, products and objects.

In the current scenario, it has become quite easier to earn much, i.e, people are able to satisfy their needs and wants when they are in youth only because of their attractive salary and perks.

As people are earning a handsome salary in the early stages itself, when compared to their parents they are becoming the consumers of strong material values and are giving greater importance to the possessions as they think that it would then lead to a luxurious life.

## 3. Orientation towards youthfulness

Indians in the current scenario are greatly fascinated and attracted by the global lifestyle and western values. Indians used to respect their elders, their suggestions and experiences earlier but, presently it is demolishing. These aspects are making Indians zealous to look as younger and fitter than their biological age.

## 4. Significance of Self-fulfillment

Today's generation basically aims at achieving self- fulfillment. They are experiencing the global success by buying material goods and improving their life style. Thus, they are achieving greater self-fulfillment out of their day- to day life. Today people are not giving much importance to the monetary benefits but are attaching grater importance to the personal improvement and leading a meaningful life. In order to achieve this, they are basically emphasizing on,

- (i) Besides work, focusing on their hobbies or other activities in order to attain self-fulfillment.
- (ii) Strong desire to learn more about one's own culture and there by help the society in carrying out the social work activities.
- (iii) Staying physically fit and healthy.

## 5. “Mindset of Scarcity” has resulted in consumerism

In the pre-liberalization period, the people were with “mindset of scarcity” because of “socialistic learning” and very little or no choice for the people to select from the different product therefore, they continued using the same product inspite of the product getting outdated.

The importance to materiality that was there in preliberalisation period was being shifted to the concept of “disposability” in post liberalisation period. The increased importance to disposability is due to the increasing purchasing capacity of the India middle class, easily available consumer finance, a high decrease in products prices, firm’s expectations that new purchases would be better.

### 2.2.4 Dimensions of Cultural of Indian Consumers

Culture is an important factor which affects consumer behaviour. Every country has its own culture, different countries have different cultures leading to different consumer behaviours.

The Indian society has some important values which differ in urban areas. The base of the Indian culture is values which are inserted in many subcultures. Important values are those.

1. Which are adapted by a large number of people
2. Which are persistence and have been followed for a long period of time
3. Which help the marketers to identify the consumer behaviour

### Some of the Core Values of Indians

#### 1. Family Orientation

An average Indian family includes parents, sisters and brothers in addition to their own families. It is the fact of many Indian families, (extended form of family) that the male consumer supports the entire joint family due to the fact that he may be the chief earner of a family. This shows several marketing implications. Such consumer always prefers low priced but value based brands as his disposable income gets reduced. To balance the expenditure and consumption needs, consumer mixes the brands of unorganized sector too.

## **2. Savings**

Savings is an inherent value of Indians, when uncertainty exists in the income of an individual as majority of the population depends on agriculture. Consumers must depend on their savings to celebrate festivals and weddings conducted in their families. After satisfying the basic needs consumers used to spend on durable products. Habit of savings is spread in all sections of the society. Consumers of socioeconomic classes invest in jewelry as their savings.

## **3. Festivities**

An important part of Indian culture is celebrating festivals in all the states. Every subculture in a state shows various types of festivals that has to be celebrated. For example: Pongal in Tamilnadu, Durga Puja in West Bengal and Onam in Kerala. These festivals provide great opportunities to marketers. Several marketer set up advertising campaigns and logistics, provide sales promotion programmes during festive season to attract consumer which helps them in increasing their sales.

## **4. Shopping as a Ritual**

Shopping has become a ritual among both urban and rural Indians. Depending on geographical territories variation exists in the type of buyers, the product they purchases and the shop from which they must be purchased. Bargaining has become an unwritten rule in the transaction process of commodities and vegetables. As a part of shopping ritual, family members go around to find lower price and have best deal in a product category.

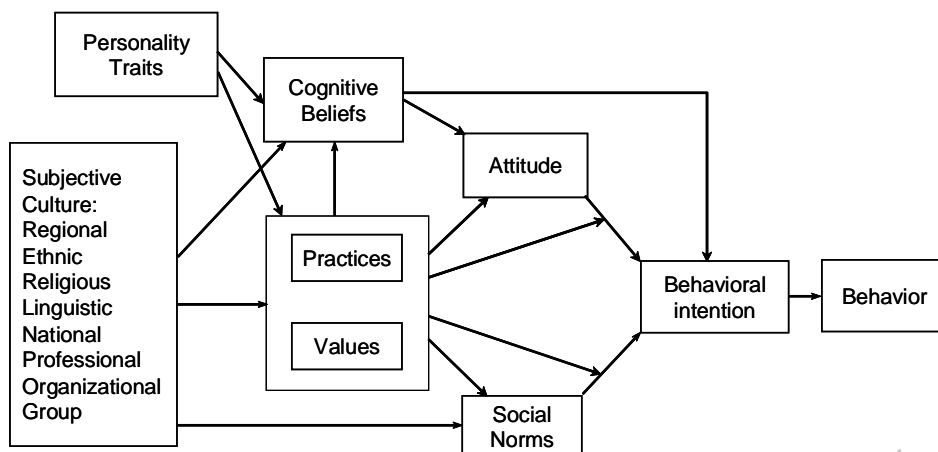
## **5. Mythology**

Indian culture consists of great music, mythological stories and scriptures which has attracted large number of tourists from different parts of the world. Government enterprises has largely promoted tourism and received significant encouragement in the form of infrastructure and service support.

## **6. Foods**

In India, hot and spicy delicacies are very popular. Food habits are connected with the culture and hence, they are difficult to change.

### 2.2.5 A Theoretical Model of Cultures Influence on Behaviour



**Figure : Theoretical Model of Cultures Influence on Behaviour**

This model depicts the role that subjective culture plays in determining our beliefs, practices, and values, which in turn impact our social norms, attitudes, behavioral intentions and ultimately our behavior.

Subjective culture reflects regional character (e.g. - People living in several nations in a particular region of South America) and religious similarities or differences, or shared or different languages, national factors, such as shared core values, customs, personalities, and group level factors are concerned with various subdivisions of a country or society (e.g. - families, work groups, shopping groups, friendship groups) and many more factors.

### 2.2.6 Important for marketers to understand the cultural impact on Consumer Behavior

#### 1. Because culture satisfies needs

Culture exists to satisfy the needs of the people within a society. It offers order, direction and guidance in all phases of human problem solving by providing 'tried and true' methods of satisfying physiological, personal, and social needs.

e.g.:- Culture provides standards and 'rules' about when to eat, where to eat, what is appropriate to eat for breakfast, lunch, dinner... etc...

**2. Because culture is learned**

Unlike innate biological characteristics, culture is learned. The three distinct forms of cultural learning are formal learning, informal learning and technical learning.

Although a firm's advertising and marketing communications can influence all three types of cultural learning, it is likely that many product marketing messages enhance informal learning by providing the audience with a model of behavior to imitate.

**3. Because of Acculturation**

Acculturation is an important concept for marketers who plan to sell their products in foreign or multinational markets. In such cases, marketers must study the specific cultures of their potential target markets to determine whether their products will be acceptable to its members and if so, how they can best communicate the characteristics of their products to persuade the target market to buy.

**4. When using Language and Symbols**

To communicate effectively with their audiences, marketers must use appropriate symbols to convey desired product images or characteristics. These symbols can be verbal or nonverbal.

A symbol may have several, even contradictory meanings, so the advertiser must ascertain exactly what the symbol is communicating to its intended audience.

**5. When facilitating Rituals**

Most important from the standpoint of marketers is the fact that rituals tend to be replete with ritual artifacts that are associated with or somehow enhance the performance of the ritual.

**6. Because culture is shared**

Various social institutions within a society transmit the elements of culture and make the sharing of culture a reality. Such institutions are family, educational institutions, houses of worship and most importantly mass media. Because consumers receive important cultural information from advertising.

**7. Because culture is dynamic**

To fulfill its need gratifying role, culture must continually evolve if it is to function in the best interests of a society. For this reason, the marketer must carefully monitor the socio-cultural environment in order to market an existing product more effectively.

### 2.2.7 Influence of Culture on Consumer Behaviour

Individuals purchase decision is greatly influenced by culture which has impact on need, research and different evaluations made by the individual.

Different countries have different cultural norms, appropriate need for one country may be not adequate for other country. And cultural norm of one country may be treated as insignificant by other countries.

Research made by customers is also influenced by the culture. In few cultures, individuals give importance to the advice given by family members and even some information is gathered from internet about the product.

While evaluating alternative products, consumer behaviour is influenced by its culture. Some consumers give importance to qualities of product rather than its price and some mainly focus on price to follow the trend in the society by acquiring expensive goods.

In some countries, price of product or service are negotiable whereas it is not possible in some countries it is due to the cultural influence. Culture also has impact on the expectations of consumers regarding a product and disposal of product after use.

### 2.3 SUB CULTURE

A culture which exists within a culture is known as its sub-culture. A sub culture has a much narrower focus and is ruled by commonness.

A sub culture is defined as "a distinct cultural group that exists as an identifiable segment within a larger, more complex society".

Two common elements exists in the cultural profile of a society or nation.

- (a) The different beliefs, values and customs followed by members of particular sub-cultures.
- (b) The basic cultural themes that are common to' the members of a specific culture irrespective of their sub cultures.

#### Types of Subcultures

Different subcultures are divided into various factors they are:- Age, Region, Gender, Social, Class.

**1. Age Subcultures**

Age Subcultures Consumers undergo predictable changes in values, lifestyles, and consumption patterns as they move through their life cycle. Four Major Age Trends:- Baby Youth Middle aged Elderly Consumer Behavior changes accordingly with the change in the age trend

**2. Regional Subcultures**

Regional subculture is the culture practiced in different states of a country People have distinct lifestyles resulting from variations in climate, culture, and ethnic mix of people. Consequently, different product preferences exist.

**3. Gender Subculture**

Gender Subculture The Subculture based on Male-Female divide is known as Gender Subculture. The needs and wants of men and women differ to a great extent. Accordingly, their buying habits also differ

**4. Social Class**

Social Class Human Societies are socially stratified The roles performed by various people are valued differently Differentiation among roles and their relative evaluation leads to stratification of society. Social Classes are easily identifiable market segments which can be reached with relative ease since they have distinctively defined media habits. Consumer Behavior changes with the change in the social class

**Important Sub-cultural Categories**

The following are the different crucial sub-cultural categories,

**1. Nationality or Hispanic Subcultures**

Nationality is one of the important sub-culture. It divides the people on the basis of their nation of origin, language and accent. The people who originated from other countries are called Hispanics. The citizens of United States and those who are born in United States are Americans. They tend to follow the language and customs of their ancestors.

The second largest and fastest growing sub-culture of United States is the Hispanics. These Hispanics groups are Mexican Americans, Puerto Ricans and Cubans. They are the most dominant minority and are mostly located in metropolitan cities.



## 2. Religious Sub-cultures

More than 200 religious sub-cultures exist in America. But the protestant denominations, Roman Catholicism and Judaism are the only three dominating groups. These groups make purchases on the basis of their religious identity. The religious factors have a direct influence on the purchasing decisions of the consumers. The products which are related with the religious values and celebration of religious holidays are purchased more by consumers in accordance to their religion.

Advertising in religious media and religious publication are some of the methods used by marketers to reach the members of religious groups.

## 3. Geographic and Regional Sub-cultures

Different range of climatic and geographical conditions exist in the United States. This also creates a sense of regional difference among the citizens. These regional differences lead to different consumer behaviour with respect to food, drink, dressing etc. The difference also exists in the consumption pattern of the consumers.

## 4. Racial Sub-cultures

The division among people on the basis of colour or physical distinction is known as racial sub-culture. In the United States the racial sub-cultures are basically divided into white, black, orientals and American Indians. These groups also differ on the basis of lifestyle and consumer spending pattern. Basically, the racial sub-culture research is based on the differences between the blacks and whites.

## 5. Age Sub-cultures

The age groups are the base for family life-cycle concept. Therefore the family life-cycle stages, like bachelor hood, honeymooners, parenthood, post-parent hood and dissolution, each contribute a distinct sub-culture. The age sub-culture consumer behaviour is divided into two categories. They are described below,

- (a) **Baby-boomers** : This age group includes the population that ranges from age category from early twenties to early forties. This group is crucial for marketers as their desired target audience exist under this group.
- (b) **Elderly Sub-culture** : The individuals who are of 65 and above constitute the elderly sub-culture. This group has been largely neglected by the American society. Widowed women and married men, living with their spouses, constitute the majority of this group.

## 6. Sex Sub-cultures

This is also an important sub-culture. The culture mainly determines the role of gender as a sub-culture. The changes in sex-roles and sex-discrimination has grabbed the attention of the marketers.

## 2.4 SOCIAL CLASS

Social class is 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 members of all other classes have either more or less status.

### Social Class and Social Status

Social class is often measured in terms of status; that is, they define each social class by the amount of status the members of that class have in comparison with members of other social classes. In social-class research (sometimes called "social stratification"), status is frequently thought of as the relative rankings of members of each social class in terms of specific status factors.

### Characteristics of Social Class

1. **Social Classes Are Multidimensional** : Social classes are multidimensional being based on numerous components. They are not equivalent to, or determined solely by, occupation or income or any one criterion; however, they may be indicated by, or be related to, one or more of these measures. It is important of the marketer to realize that some of these variables are more reliable "proxies" (substitutes) than other.
2. **Social Classes Are Hierarchical** : Social classes have a vertical order to them, ranging from high status to low status. They exist as a position on the social scale. Individuals may be placed within a class on this hierarchy, based on status criteria.
3. **Social Classes Restrict Behavior** : Interaction between the classes is limited because most of us are more comfortable and find reinforcement with those "like us" in terms of values and behavior patterns. Consequently, members of the same social class tend to associate with each other and not to any large extent with members from another social class because they share similar educational backgrounds, occupations, income levels or life-styles.

The factor of limited interaction impedes interpersonal communication between different classes about advertising, products, and other marketing elements.

4. **Social Classes Are Homogeneous** : Social classes may be viewed as homogeneous divisions of society in which people within a class have similar attitudes, activities, interests, and other behavior patterns. For the marketer this means that groups of people are exposed to similar media, purchase similar products and services, and shop in similar stores. This homogeneity allows the marketer in many cases to effectively segment the market by social class and to develop appealing marketing mixes.
5. **Social Classes Are Dynamic** : Social stratification systems in which people have some opportunity for upward or downward movement are known as open systems. People in closed systems have inherited or ascribed status; that is, they are born into one social level and are unable to leave it. Thus, the difference between a system based on earned or achieved status versus one based on inherited status is significant with regard to social mobility.

#### **Social Class Categories**

Socioeconomic criteria have been employed to categorize the social classes (type and source of income-inherited or earned, occupational status – self employed or otherwise, educational level, geographical location, etc). Various social classes are:

1. **Upper Class**

This is the wealthy, aristocratic landed class. It acts as a reference group for rest of the social classes. Since its size is very small, it is not a major number segment; but it provides scope for niche marketing.

2. **Lower Upper Class**

Here we find novel rich consisting of those who have attained success and earned wealth. Successful professionals like doctors, lawyers, first generation successful entrepreneurs belong here. These provide market for specialized luxury goods.

3. **Upper Middle Class**

This group comprises of moderately successful people who have attained reasonable heights in their careers. They believe in good things of life and indulge in conspicuous consumption.

4. **Lower Middle Class**

The so-called 'common man' comprises this class. Small self-employed business people, non-managerial workers, etc., fall in this category. Not very highly educated, they buy bulk of mass marketed goods.

## 2.5 SOCIAL GROUP

Consumer reference group is that group to which the consumer has close relationship and proximity and which the consumer uses for references and which effect the buying behavior of the consumer. We have generally two types of reference groups.

### 1. Normative reference group

Normative reference group is that group in which the consumer had direct relation or face to face relation and influence on the consumer buying decision and behavior.

For example, family and friends etc. The members of the family are always in interaction with the consumer and they give different ideas and suggestions or advice to the consumer to buy a specific product or brand. And thus they influence the consumer.

### 2. Comparative reference group

Comparative reference group is that group in which the consumer has indirect relation and less face to face interaction, such type of groups attract the consumer and the consumer gradually start to adopt the life style of the personalities lying in the comparative reference group.

For example, in this group we have a television star, cinema stars, sports men, and other popular personalities. The consumers are attracted by the marketer through different types of promotional campaigns and start to purchase different types of products used by the personalities of the comparative reference group.

## Reference Group Appeals

Major types of reference appeals in common marketing usage are:

### 1. Celebrities

Celebrities, particularly movie stars, TV personalities, popular entertainers, and sports icons, provide a very common type of reference group appeal. To their loyal followers and too much of the general public, celebrities represent an idealization of life that most people imagine that they would love to live. Advertisers spend enormous sums of money to have celebrities promote their products, with the expectation that the reading or viewing audience will react positively to the celebrity's association with their product.

**2. Expert**

A second type of reference group appeal used by marketers is the expert, a person who, because of his or her occupation, special training, or experience, is in a unique position to help the prospective consumer evaluate the product or service that the advertisement promotes. For example, an advertisement for a quality frying pan may feature the endorsement of a chef.

**3. "Common Men"**

A reference group appeal that uses the testimonials of satisfied customers is known as the common-man approach. The advantage of the common-man appeal is that it demonstrates to prospective customers that someone just like them uses and is satisfied with the product or service being advertised. The common-man appeal is especially effective in public health announcements (e.g., antismoking or high-blood pressure messages), for most people seem to identify with people like themselves when it comes to such messages.

**4. Friends**

Friends are major influences of a lot of consumption choices of an individual and come next only to the family. They are categorized as informal groups because of lack of any structure or hierarchy. Friends provide the first social circle an individual has outside family and provides a sense of independence and companionship. Thus, marketers especially for the kids market, depict themes related to fun, freedom, and friendship. For example, ads for Maggi 2-minute noodles targeted at children, or the ones for Gini and Jony 'Freedom Clothing'.

**5. Shopping Group**

A shopping group or purchase pals are the people who accompany consumers while they go out shopping. They are usually one's family members or friends. Purchases pals not only go with the shoppers, they also assist them in their decision making with respect to choice of product and brands.

**6. Work Groups**

A huge amount of a working individual's time is spent at the workplace. Peers, subordinates, and superiors, all are part of work groups, which can be formal or informal. A formal work group will comprise of people working in a team with a certain hierarchy while an informal work group will comprise of people who have become friends while on a job, irrespective of which team they belong to or which position they are working at.

Many marketers target people at the workplace during lunch-breaks or after-work, which increases the importance of work groups in consumption and purchase decisions made at work.

### **7. Virtual Communities**

The Internet has become an important part of life today, from checking e-mails to searching for information to chatting to online shopping. The internet also provides a platform for people to exchange views. Virtual communities or groups are gaining popularity with people due to varied socio-cultural changes like increasing number of working parents, nuclear families, one-child households, high mobility of households due to transferable jobs, or simply job-hopping.

All this means that parents have less time for their children and families have low social interaction due to frequent shifting.

### **8. Brand Communities**

Brand communities consist of people who are users of a particular brand. Traditionally, relationship marketing has been used as a tool to build a bond between the consumer and the brand, but brand communities have a triad model in which even consumers of the brand interact with each other.

These brand communities may be concentrated geographically or scattered. Many marketers have identified the importance of brand communities, which not only emotionally bond the consumers to the brand but also increase consumer loyalty and positive word-of-mouth publicity.

### **9. Consumer-Action Groups**

Consumer-action groups are effective influence in consumer decision making as well as general behavior. Consumer action groups work together to support a common cause, which can be AIDS awareness in red light areas, an anti-drugs campaign, disaster control, public health, or any other cause that effects people in general.

The people behind such movements are usually volunteers, working with the motive of recognition or just in the interest of a collective group need. A consumer-action group can be short-term, in response to a specific consumer abuse (an action group of residents formed to protest opening of a liquor shop in a residential area) or long-term, to tackle a highly entrenched social problem.

## 10. Executive and Employee Spokesperson

Increasing number of firms are using their top executives as spokespersons in consumer ads.

Like the celebrity spokesperson, executive spokespersons seem to be admired by the general population because of their achievements and the status implicitly conferred on business leaders. The appearance of a company's chief executive in its advertising seems to imply that someone at the top is watching over the consumer's best interests, and it encourages consumers to have more confidence in the firm's products or services.

## 11. Other Reference Group Appeals

A variety of other promotional strategies can function creatively as frames of reference for consumers. Respected retailers and the editorial content of selected special-interest magazines can also function as frames of reference that influence consumer attitudes and behavior.

### Benefits of Reference Groups

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

- i) **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 used is generally well known to the relevant target segment. Celebrities tend to draw attention to the product through their own popularity.
- ii) **Reduced Perceived Risk** : The use of a reference group appeal may also seem 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.

On the basis of very positive experiences in the marketplace, advertisers continue to use celebrities, experts, and common-man appeals, as well as other reference group appeals, to promote and to differentiate their products.

## 2.6 FAMILY

Family is defined as two or more persons related by blood, marriage, or adoption who reside together.

Although families sometimes are referred to as households, not all households are families. For example, a household might include individuals who are not related by blood, marriage, or adoption, such as unmarried couples, family friends, roommates, or boarders. However, within the context of consumer behavior, households and families usually are treated as synonymous.

### Types of Families

Three types of families are : the married couple, the nuclear family, and the extended family.

- 1) The simplest type of family, in number of members, is the married couple—a husband and a wife. As a household unit, the married couple generally is representative of new married persons who have not yet started a family, and older couples who have already raised their children.
- 2) A husband and wife and one or more children constitute a nuclear family. This type of family is still commonplace but has been on the decline.
- 3) The nuclear family, together with at least one grandparent living within the household, is called an extended family.

### Family Specific Characteristics

There are a number of additional variables that have been found to influence the nature of purchasing decisions made within the family. The influencing factors to be discussed below include culture, subculture, social class, reference groups, and social interaction, stage in life cycle, mobility, geographical location, and children.

#### 1. Culture

The roles of husbands and wives may differ dramatically from culture to culture, which may result in numerous differences in consumer decision-making.

#### 2. Subculture

In addition to cultural variations from one country to another, there are also subcultural or ethnic variations in consumer behavior within a country's heterogeneous population.



**3. Social Class**

Several studies on the relationship of socioeconomic class and joint participation in purchase decision-making have indicated that a curvilinear relationship exists. That is, autonomy in decision making is most likely at upper and lower social classes, while joint decision making is most common among the middle class.

**4. Reference Groups and Social Interaction**

Although no research has been conducted on the role of reference groups in family purchase decisions, it is thought that such relationships are influential. Some authors indicate that the greater the extent to which spouses have social ties or connections with relatives or friends, the less the amount of joint or shared decisions. This is because some decisions may be made in consultation with friends or relatives rather than only with one's spouse.

**5. Stage in Life Cycle**

The nature of family decision-making changes over the life cycle. For example, wives with pre-school-age children have considerably less independent responsibility for economic decisions than do other wives. In addition, families in early stages of the life cycle show a very high frequency of joint decisions. However, evidence indicates that joint decision making declines over the life cycle.

**6. Mobility**

Mobility, both social as well as geographic, tends to increase the extent of intra-family communications and the degree of joint decision making. One researcher attributes this to the fact that movement away from stable primary groups such as family and close friends "throws spouses upon each other".

**7. Geographical Location**

Limited research on the influence of place of residence on family decision-making indicates that rural families have a higher frequency of joint decisions than urban families. Also, the wife occupies a less influential role in rural families.

## 8. Children

Based on a study of purchase-decision processes by families as opposed to couples without children, husbands tended to dominate decision making more in families, while joint decision-making was more prevalent among couples. Also, greater variability in the relative influence of husbands and wives across different elements of the decision process was found in family decision-making units.

## 9. Marriages

There are differences between married and cohabiting couples in terms of purchase involvement and participation. There is more autonomy and less female influence among unmarried than among married couples. However, these patterns vary from product to product and from decision stage to decision stage.

### Functions of the Family

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

#### 1. Economic Well-Being

How the family divides its responsibilities for providing economic, well-being has changed considerably during the past twenty-five years. No longer are the traditional roles of husband as economic provider and wife as homemaker and child reader still valid.

#### 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 decision-making and personal or social problems. To make it easier for working parents to show their love, affection, and support to their children, greeting card companies have been increasingly creating cards with patterns to give to their children.

#### 3. Suitable Family Lifestyles

Another important family function in terms of consumer behavior is the establishment of a suitable lifestyle for the family. Upbringing, experience, and personal and jointly held goals of the spouses determine the importance placed on education or career, on reading, on television viewing, on the learning of computer skills, on the frequency and quality of dining out, and on the selection of other entertainment and recreational activities.

Researchers have identified a shift in the nature of family “togetherness”. Whereas a family being together once meant doing things together, today it means being in the same household and each person doing his or her own thing.

#### 4. Socialization of Family Members

The socialization of family members, ranging from young children to adults, is a central family function. In the case of young children, this process includes imparting to children the basic values and modes of behavior consistent with the culture. These generally include moral and religious principals, interpersonal skills, dress and grooming standards, appropriate manners and speech and the selection of suitable educational and occupational or career goals.

#### Family Roles influence on Consumer Behaviour

In a dynamic society, family-related roles are constantly changing.

**Key Family Consumption Roles :** There are eight distinct roles in the family decision making process.

1. **Influencers :** Family member(s) who provide information to other members about a product or service.
2. **Gatekeepers :** Family member(s) who control the flow of information about a product or service into the family.
3. **Deciders :** Family member(s) with the power to determine unilaterally or jointly whether to shop for, purchase, use, consume, or dispose of a specific product or service.
4. **Buyers :** Family member(s) who make the actual purchase of a particular product or service.
5. **Prepares :** Family member(s) who transform the product into a form suitable for consumption by other family members.
6. **Users :** Family member(s) who use or consume a particular product or service.
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.

The number and identity of the family members who fill these roles varies from to family and from product to product. In some cases, a single family member will independently assume a number of roles: in other cases, a single role will be performed jointly by two or more family members. In still other cases, these basic roles may not be required.

### **Family life-cycle stages 1, 2, 3.**

The traditional family life cycle is a progression of stages through which many families pass, starting with bachelor hood, moving onto marriage (and the creation of the basic family unit), then to family growth (with the birth of children), to family contraction, (as grown children leave the household), and ending with the dissolution of the basic unit (due to the death of the spouse). The traditional FLC models proposed over the years can be synthesized into just five basic stages:

**Stage I – Bachelor hood** – Young single adult living apart from parents.

**Stage II – Honeymooners** – Newly married couples.

**Stage III – Parent hood** – Married couple with at least one child living home.

**Stages IV– Post parent hood** – An older married couple with no children living at home.

**Stage V – Dissolution** – One surviving spouse.

## **2.7 PERSONAL FACTORS**

Possibly the most challenging concept in marketing deals with understanding why buyers do what they do (or don't do). But such knowledge is critical for marketers since having a strong understanding of buying behavior will help shed light on what is important to customer and also suggest the important influences on customer decision making.

There are many factors that can affect Buying process of a customer, let us shed some light on some personal factors which influence the buying process of the customer.

### **1. Age and Life cycle Stage**

Like the social class the human life cycle can have a significant impact on consumer behaviour. The life cycle is an orderly series of stages in which consumer attitude and behavioural tendencies evolve and occur because of developing maturity,

experience, income, and status. Marketers often define their target market in terms of the consumers present lifecycle stage. The concept of lifecycle as applied to marketing will be discussed in more details.

## **2. Occupation And Income**

Today people are very concerned about their image and the status in the society which is a direct outcome of their material prosperity. The profession or the occupation a person is in again has an impact on the products they consume. The status of a person is projected through various symbols like the dress, accessories and possessions.

## **3. Life Style**

Our life styles are reflected in our personalities and self-concepts, same is the case with any consumer. We need to know what a life-style is made of. It is a person's mode of living as identified by his or her activities, interest and opinions. There is a method of measuring a consumer's lifestyle. This method is called as the psychographics- which is the analysis technique used to measure consumer lifestyles- peoples activities, interests and opinions. Then based upon the combinations of these dimensions, consumers are classified. Unlike personality typologies, which are difficult to describe measure lifestyle analysis has proven valuable in segmenting and targeting consumers according to their lifestyle classification.

## **4. Personality**

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.

## **2.8 CROSS CULTURAL CONSUMER BEHAVIOUR**

The cross cultural marketing refers to marketing of products for the consumers of two or more countries. The marketers must study the psychological, social and cultural attributes of the consumers they wish to target.

According to Schiffman and Heslie Lazar Kanuk the cross cultural marketing is defined as "the effort to determine to what extent the consumers of two or more nations are similar or different".

Most firms enter into cross-cultural marketing for the following reasons,

1. Due to limited opportunities in the domestic market.
2. Existence of better opportunities in the foreign market.

### Behavioural Patterns of Cross Cultural Marketing

The behaviour pattern of individuals differs on the basis of culture. The marketers must be aware of the culture of foreign consumers for entering into the market.

The following are the different behavioural patterns of the cross-culture consumers,

- The Frenchmen use more cosmetics and beauty products than their wife.
- Eggs are not served to children in Tanzania with a fear of them getting bold or impotent.
- A chocolate bar bread sandwich is preferred by the Italian children.
- The consumers in Peru and Bolivia only drink the powdered milk as they cannot digest fresh milk.
- The paste of silver bars is used for washing clothes by Venezuelan women.
- Chewing betel nuts for having dark teeth is a custom in some regions of South East Asia.

The business patterns and their behaviour also differ from one country to another country. The following are the examples of such behaviours,

- People in United States focus more on results and prefer direct communication for business decisions.
- The business talk comes first in the United Kingdom.
- The Chinese people prefer avoiding Chaos and maintaining harmony during business decisions.

Therefore, the traditions, culture and preferences of each country is different from another. Before entering into a global market it is crucial for marketers to understand these differences.

### Cross Cultural Marketing Objectives and Policies

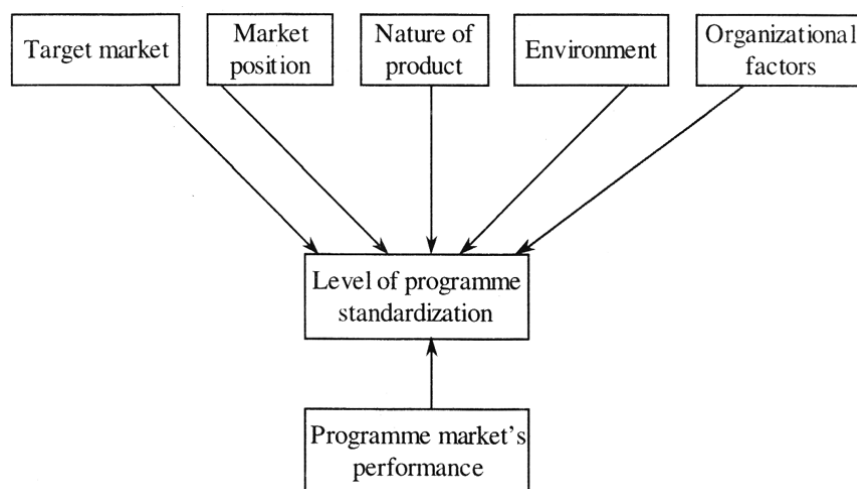
The international marketing objectives and policies should be clearly established before entering into the global market.

The company can gain from the global market by entering as a foreign importer on domestic exporter. Most companies prefer global market as they provide better opportunities.

The following are the two objectives that the firm must work out for cross-cultural marketing,

- (i) Setting-up strategies that are suitable for consumers of two or more societies.
- (ii) Setting-up different strategies for societies that have different cultural beliefs, values and customs.

#### Framework for Determining Standard Marketing Strategy



The marketer must first study the target market in detail. He should know the geographical area of the country, the products and services required, income levels, standard of living, etc.

The marketer must also know the market position. He must understand if it is a growing market, what is the existing level of competition etc.

The nature of product is also crucial if the product is new or innovative. The marketer must analyze the demand for such product in the market.

The existing environmental factors in the country should also be known. Every country has different political and legal environment on the basis of these factors the marketers can setup a framework that determines the standard marketing strategy.

#### Types of Cultural Values

The value system varies across cultures and affects consumption. A classification scheme consisting of three broad forms of cultural values is given. These are :

1. **Self Oriented Values** : These reflect the objectives and approaches to life that the individual members of society find desirable.
2. **Other Oriented Values** : These reflect a society's view of the appropriate relationship between individuals and groups within the society. Thus, the relationship between males and females governs the purchase pattern.
3. **Environment Oriented Values** : These prescribe a society's relationship to its economic and technical as well as physical environment.

### **Cross Cultural Influence on Consumer Behavior**

#### **1. Country-of-Origin Effects**

The purchase intention of consumers is often influenced by the image of the country-of-origin of the product or brand. This influence is known as the country-of-origin effect. It can be defined as "the impact which generalizations and perceptions about a country have on a person's evaluation of the country's products and/or brands." The country image is generally associated strongly with certain products or a complete product category.

#### **2. Consumer Ethnocentrism**

Ethnocentrism means "people viewing their own in-group as central, as possessing proper standards of behavior, and as offering protection against apparent threats from out-groups." Consumer ethnocentrism is derived from this basic concept of ethnocentrism and has been defined as "the appropriateness, indeed morality of purchasing foreign made products." Some key reasons for consumer ethnocentrism are doubts over the quality of foreign-made products and pure patriotism.

#### **3. Targeting Consumers across Cultures**

Global marketers are increasingly flocking to developing nations to capture the 'middle class market segment'. However, at times, they make the mistake of thinking that all markets are the same and that what sells in the domestic market will also sell in the international market.

#### **4. Global versus Local Brands**

Marketers have always faced the dilemma of whether to position their brand as a global brand, thus, focusing on universal values and benefits (e.g., physical well-being, status, sacrifice, altruism, heroism, leisure, creative spirit, romance, etc.). or to position their brand differently in different global markets.



There are three primary characteristics of a global brand – consistent name, standardized brand image, and similar product features. While there is no brand that fully meets all these criteria, there are a handful like Coca-Cola, McDonald's, Kodak, British Airways, and American Express, which come quite close to being regarded as global brands.

### **Problems involved in Cross Cultural Marketing**

#### **1. Product Problems**

International marketers frequently neglect to modify their products to meet local customs and tastes. American marketers, selling food products in Japan, frequently learn the hard way (through poor sales performance) that they must alter traditional product characteristics. To avoid such problems, marketers must ascertain in advance whether the physical characteristics of their products will be acceptable to the new market.

#### **2. Promotional Problems**

International marketers have faced various problems in communicating with widely different customer groups. For example, something got lost, when IBM had translated, from English to Japanese, its global theme "Solutions for a small planet." It came out as "Answers that make people smaller" – not a very pleasant portrayal.

#### **3. Pricing and Distribution Problems**

International marketers must adjust their pricing and distribution policies to meet local economic conditions and customs. For instance, in many developing nations, small-sized product packages often are a necessity. Even in developed nations, important differences do exist. For example, supermarkets are very popular in Switzerland, but in France, which is just across the border, consumers prefer smaller and more intimate stores for grocery shopping.

<p style="text-align: center;"><b>UNIT III</b></p>	<p><b>Consumer as an Individual:</b> Personality and Self-concept, Consumer Motivation, Consumer Perception, Consumer Attitudes and Changing Attitudes, Consumer Learning and Information Processing.</p>
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### 3.1 PERSONALITY

#### 3.1.1 Introduction to Personality

The term personality has been derived from Latin word 'personare', which means 'to speak through'. Thus personality is used in terms of influencing others through external appearance. Sum total of ways in which an individual reacts and interacts with others.

Personality is an internalized system which includes all those aspects of a person that are inherited as well as those that are learned. These two internal aspects are interdependent and cannot be isolated.

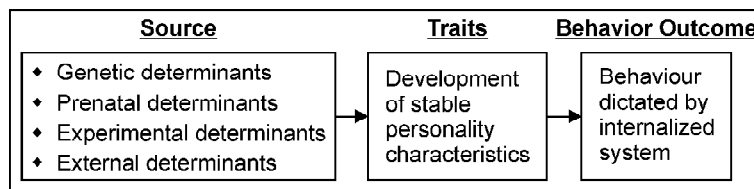
#### Definitions of Personality

**According to Gordon Allport,** "Personality is the dynamic organisation within the individual of those psychophysical systems that determine his unique adjustments to his environment."

**According to Ruch,** "Personality should include:

- i) External appearance and behavior or social stimulus value;
- ii) Inner awareness of self as a permanent organising force; and
- iii) The particular pattern or organisation of measurable traits, both inner and outer."

**According to Schiffman & Kanuk,** "Personality can be defined as those inner psychological characteristics that both determine and reflect how a person responds to his or her environment."



Personality and Behavior

### 3.1.2 Nature of Personality

Personality has some basic characteristics which are observed in the behavior of employees. They are distinctive traits of personality, individual differences, consistent traits and attributes, and perceptual process and modification.

#### 1. Personality Traits

Personality is the sum of different traits of a person. Personality is not known by a single trait. It is the sum of different traits of a person. Personality is not known by a single trait. It is a composition of physical appearance, emotional attributes, sociability, objectivity, friendliness, thoughtfulness and so on.

Personality is characterized by major trait dimensions such as restraint, emotional stability, objectivity, friendliness, personal relations and masculinity versus enimity, thoughtfulness, sociability, general activity, ascendance, authoritarian, growth-oriented, mathematical, critical, satisfying and so on.

#### 2. Personality Reflects Individual Differences

Because the inner characteristics that constitute an individual's personality are a unique combination of factors, no two individuals are exactly alike. Nevertheless, many individuals tend to be similar in terms of a single personality characteristic.

#### 3. Personality in Consistent and Enduring

An individual's personality is commonly thought to be both consistent and enduring.

#### 4. Personality Can Change

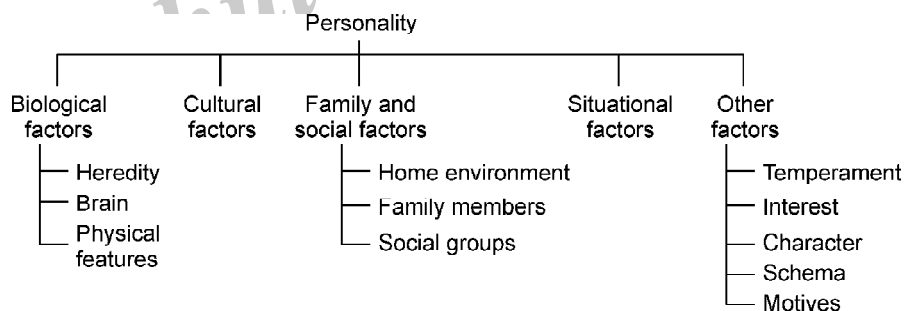
Although personality tends to be consistent and enduring, it may still change under certain circumstances. For instance, an individual's personality may be altered by major life events, such as the birth of a child, the death of a loved one, a divorce, or a major career promotion.

### 3.1.3 Determinants of Personality

#### 1. Biological Factors

Biological characteristics of human biological system influence the way in which human being tends to sense external event data, interpret, and respond to them.

- i) **Heredity** : Is the transmission of the qualities from ancestor to descendant through a mechanism lying primarily in the chromosomes of the germ cells. Heredity predisposes to certain physical, mental, and emotional states. It has been established through research on animals that physical and psychological characteristics can be transmitted through heredity. Such a conclusive proof is not available for human beings. Heredity plays an important role in personality.
- ii) **Brain** : It is the second factor, which is supposed to play in personality. The structure of brain determines personality though role of brain in personality formation.
- iii) **Physical Features** : Third factor of determining personality foundation is physical characteristic and rate of maturation. A person's physical features have some influence on his personality because it will affect influence on others and, in turn, will affect his self-concept. The rate of maturation also effects personality because persons of varying maturity are exposed to different physical and social situations and activities differently.



**Figure : Determinants of Personality**

#### 2. Cultural Factors

Culture is traditionally considered as the major determined of an individual's personality. The culture largely determines what a person is and what a person will learn. The culture within which a person is brought up is very important determinant of behavior of a person.

### 3. Family and Social Factor

The development of the individual proceeds under the influence of many socializing forces and agencies, from nuclear family to more distant or global groupings.

In order to understand the effects of a family on individual's personality, we have to understand the socialization process and identification process.

- i) **Socialization Process** : The contribution of family and social group in combination with culture is known as socialization.

Socialization initially starts with the contact with mother and later on the other members of the family (father, sisters, and close relatives) and the social group play influential role in shaping an individual's personality.

- ii) **Identification Process** : Identification starts when a person begins to identify himself with some other members of the family. Normally a child tries to emulate certain actions of his parents.

Socialization and identification process is influenced by home environment, family members, and social groups:

- a) **Home Environment** : Total home environment is a critical factor in personality development. For example, children with markedly institutional upbringing or children in a cold, unstimulating home have a much greater potential to be emotionally maladjusted than children raised by parents in a warm, loving, and stimulating environment. The key variable is not the parents per se but rather the type of environment that is generated for the child.
- b) **Family Members** : Parents and other family members have strong influence on the personality development of the child. The study of Newcomb showed the high correlation between attitudes of parents and children with a further consistency in patterns. The relationship between parents and children was higher than that between the children and their teachers. Besides parents, siblings (brothers and sisters) also contribute to personality.
- c) **Social Groups** : Besides a person's home environment and family members, there are other influences arising from the social placement of the family as the person is exposed to agencies outside the home, particularly the school, friendship, and other work groups, socio-economic factors also effect personality development.

#### 4. Situational Factors

An individual's personality may change in different situations. The demands of different situations may call for different aspects of one's personality. Therefore, we should not look at the personality factor in isolation. Although certain generalisations can be made about personality, there exist significant individual differences which are further influenced by situational factors.

#### 5. Other Factors

- i) **Temperament** : Temperament and other non-intellectual personality traits are distributed according to the normal distribution. Temperament is the degree to which one responds emotionally.
- ii) **Interest** : The individual normally has many interests in various areas. The top executives in any organisation do not have interests in common. The organisation should provide opportunities like job rotation and special training programme to satisfy the interests of executives.
- iii) **Character** : Character primarily means honesty. It is resistance to stealing and cheating others. Character is a very important requirement for responsible jobs. It is likely that an individual may not steal under normal circumstances. The situation needs to be considered to verify this part of the character of the individual.
- iv) **Schema** : It is an individual's belief, frame of reference, perception, and attitude which the individual possesses towards the management, the job, working conditions, pay, fringe benefits, incentive system, and development programmes in the organisation. It depends upon the individual's belief towards religion, government and the satisfaction derived from environment and cultural influences of his community.
- v) **Motives** : Motives are the inner drives of the individual. They represent goal directed behavior of the individual. A motive is a cognitive factor which operates in determining one's behavior towards a goal. Individuals differ in variables which determine the inner drives. The behavior of an individual to accomplish the goal varies because of his inner drives.

### 3.1.4 Measuring Personality

#### 1. Rating Methods

Typically, the rating method involves one or more evaluators assessing predetermined personality characteristics of a subject on a number of standardized rating scales. In some cases, the basis of the evaluation is a somewhat informal interview with the subject. In other cases, observation of the subject's behavior is used in place of an interview.

#### 2. Situational Tests

With this technique, a situation is devised that closely resembles a typical real-life situation. Usually, several people are allowed to interact with each other in a group setting. A topic or scenario is provided to them as a focus of discussion, and the behaviors of the subjects are observed and measured.

#### 3. Projective Techniques

The objective behind development of most projective methods is to uncover the basic organisation of an individual's personality, as well as his underlying conflicts and motives.

#### 4. Inventory Schemes

A potential limitation of rating methods, situational tests, and projective techniques is subjective scoring. That is, the measurement of an individual's personality is largely dependent upon the evaluator's subjective interpretation of the information obtained.

### 3.1.5 Theories of Personality

#### A. Freudian Personality Theory

Freud's theory of personality was built on the premise that unconscious needs or drives, especially sexual and other biological drives, are the basic factors of human motivation. Human personality results from a dynamic interaction between inner physiological drives (e.g. hunger, sex, and aggression) and social pressures to comply with norms, rules and moral codes. The Freudian theory proposed that the human personality consists of three systems, such as the id, the ego and the superego.

- (i) **Id.** Warehouse of primitive or instinctual drives for which the individual seeks immediate satisfaction is id. It is oriented towards immediate gratification and operates according to the Pleasure Principle.
- (ii) **Ego.** Individual's conscious mind balances the impulsive demands of the id and socio- cultural issues arising from superego. Ego mediates between the id and the superego. It acts as a referee in the fight between temptation and virtues, and balances opposing forces according to the Reality Principle.
- (iii) **Superego.** It is an individual's internal expression of society's moral and ethical codes of conduct. Counterweight of the id is the person's conscience.

### Freudian Theory and Consumer Personality

Researchers who apply Freud's personality theory conjecture that purchases and/or consumption situations are a reflection and an extension of the consumer's own personality. A person channels her desires through buying or using products that signify these underlying desires. This is the connection between symbolism and motivation. The brand stands for or represents a consumer's true goal. By acquiring the particular product, the person is able to vicariously experience the "forbidden fruit".

### B. Neo-Freudian Personality Theories

According to this school of thought, (Alfred Adler, Harry Sullivan, Karen Florney, et al.) social relationships are fundamental to the formation and development of personality. Adler contended that human beings try to attain certain life style.

### C. Trait Theory

Trait is any distinguishing, relatively enduring way in which one individual differs from another. Personality is linked to how consumers make their choices or to consumption of a broad product category. The approach of the trait theory is basically empirical. It focuses on the measurement of personality through various qualitative techniques (e.g. self- reported experiences; personal observation; projective techniques) to point out certain individual differences in terms of specific traits.

Specific consumer personality based on different personality traits can be classified as:

1. **Innovativeness:** The degree to which a person likes to try new things (e.g., novelty seeking).
2. **Dogmatism:** Reflects the degree of rigidity a consumer displays towards unfamiliar products and also towards information that is contrary to his/her own established beliefs.



3. **Social character:** Inner or outer directedness in terms of seeking guidance from others.
4. **Need for uniqueness.** Such people strive to be unique.
5. **Optimum stimulation level (OSL):** The level or amount of novelty or complexity which consumers seek in their personal experiences.
6. **Variety or novelty seeking:** Consumers can be classified as high to low variety or novelty seeking. This has implications on purchase behaviours.

### Marketing Implications for Personality Traits

The marketing implications of the above-mentioned personality traits are now described.

1. **Innovativeness.** The degree to which consumers are receptive to new products, services, or practices.
2. **Dogmatism.** If low in dogmatism (open-minded), they are likely to try newer products (switching brands to experience new alternatives). If high in dogmatism, they are receptive to advertisement for new products. To convince such consumers advertisements must contain an appeal from an expert on the subject.
3. **Social character.** Ranges on a continuum.
  - Inner-directedness
    - Such personalities rely on own values when evaluating products.
    - They prefer ads that emphasize on product features/personal benefits.
  - Other-directedness
    - They look to others for conformity.
    - They prefer ads that show social acceptance.
4. **Need for uniqueness.** Consumers who avoid appearing to conform to expectations or standards of others.
5. **Optimum stimulation level (OSL).** This measures the level or amount of novelty or complexity that consumers seek in their personal experiences. It reflects a person's level of lifestyle. High OSL consumers tend to accept risky and novel/new products more readily than low OSL consumers.

6. **Variety or Novelty-seeking.** It measures a consumer's degree of variety seeking:
- Exploratory purchase behaviour (brand switching).
  - Uses innovativeness (buys new products or an already adopted product in a new/novel way).
  - Vicarious exploration (a tendency to obtain information on new and different alternatives, then contemplating on the option).

#### **Specific Possession Traits**

1. **Materialism.** This refers to the amount of emphasis placed on acquiring/owning products regarding possessions as essential to identities and life styles.
2. **Self-consciousness.** It indicates the degree to which a person deliberately monitors and controls the image of the self that is projected to others.
3. **Need for cognition.** This signifies the degree to which a person likes to assess various things and puts in efforts to process different information before purchase act.
4. **Frugality.** It implies denying short-term purchasing whims and choosing to resourcefully use what the consumers already own.

#### **3.1.6 Personality-Related Consumer Issues**

##### **1. Gender**

A product personality/persona often means that the product/brand has a 'gender'. Some products are perceived as masculine while others as feminine (i.e. they have a 'gender- being'). Knowing the perceived gender of a product or specific brand, marketers are in a better position to select visual and copy-text for various marketing messages.

##### **2. Geography**

In the minds of consumers, certain products will have a strong geographical association. Using this association, marketers can create a geographical equity (e.g. Lipton's Darjeeling tea, Dehradun rice, Alfanso mango, and Mysore Sandal Soap). For this, actual locations or fictitious names of places are used.

### 3. Colour

As discussed in Chapter 3 on Consumer Perception, consumers tend to associate personality factors with specific colours:

- Blue seems to appeal more to female consumers.
- Yellow is associated with novelty, warmth.
- Black connotes sophistication.
- Bright colours like red, brown convey an exciting, masculine, and a strong personality.
- Fine dining restaurants use sophisticated colours like gray, white, shades of tan or other pale/muted colour to reflect the leisurely atmosphere.

### 4. Self-image

Consumers tend to show a variety of enduring images of themselves (individual self-image or perceptions of self). These images are associated with individuals' consumption pattern. Consumers prefer to buy products or services and patronize retailers that closely correspond to their own self-images.

#### Marketing implications

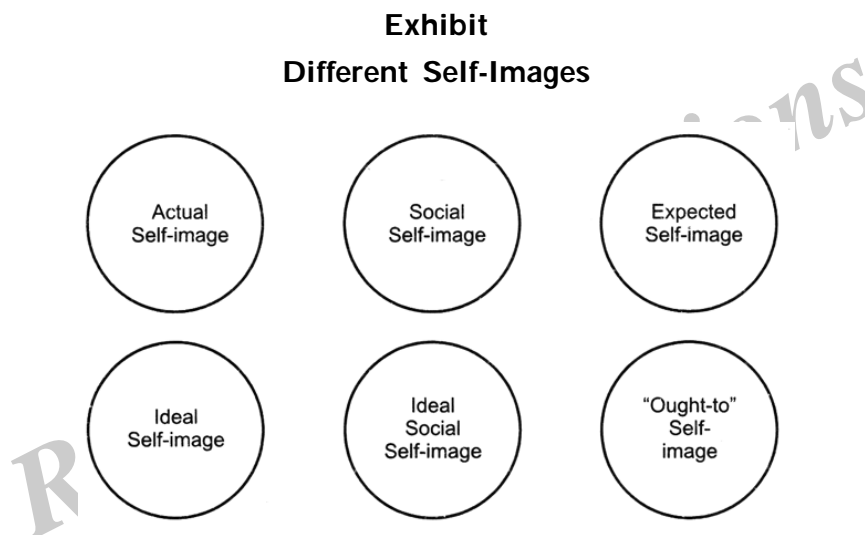
1. **One or multiple selves.** We have a variety of social roles. A single consumer is likely to act differently in different social situations. Marketers can target products to match a variety of consumer personalities or self-images.
2. **Make-up of the self-image.** It contains traits, skills, habits, possessions, relationships and ways of behaviour; developed through background, upbringing experience, and interaction with others, which are unique. Consumers are found to select products congruent with this image. Marketers can segment their markets on the basis of relevant consumer self-images, and position their products as symbols for such self-images. (Examples are cited in the forthcoming section on Dimensions of Brand Personality.)
3. **Extended self.** Possessions can extend self in a number of ways:
  - Actually. Allowing the person to do things which are difficult to accomplish.
  - Symbolically. Making the person feel better/bigger; conferring status or rank; bestowing feelings of immortality; and endowing with magical powers.

4. **Altering the self-image.** Consumers use self-altering products to express individualism or uniqueness by:

- Creating new self
- Maintaining the existing self
- Extending the self
- Conforming to and taking on the appearance of a particular type of person.

5. **Diversity of self-image**

Exhibit shows different self-images which include:



- How consumers see themselves. (Actual self-image)
- How consumers feel others see them. (Social self-image)
- How consumers expect to see themselves at some specified future time. (Expected self-image)
- How consumers would like to see themselves. (Ideal self-image)
- How consumers would like others to see them. (Ideal social self-image)
- Traits/characteristics consumers believe they should possess. (Ought to be self-image)

### 3.2 SELF CONCEPT

Self-concept has been a very successful approach in investigating possible links between the way individuals see themselves and their behaviour as consumers. The main advantage, compared to personality theories, is that consumers give descriptions of themselves and these are not made by outside observers. This is very important because the way a person sees is very different from how he is seen by anyone else.

The self-concept may be defined as the perception that one has of itself, not only in physical and psychological terms but also in terms of honesty, good humour, sophistication, justice, guilt, among others. However complex, is well organized and works in a consistent way. Self-concept is a fixed structure for two reasons:

1. The resists change (have a penchant for inaction);
2. After the establishment of it change becomes unlikely due to the perception of selected information from the environment.

#### Self-concept Development Forms

Self-concept can be developed in four different ways.

##### 1. Self-Assessment

A person defines its pattern of behaviour according to what is and is not socially accepted.

##### 2. Reflected evaluation

The way a person is defined depends on ratings made by others. This influence depends on the influencer and the degree of influence that this has on the person. There is a greater impact when:

- The evaluator is seen as a highly credible source;
- The evaluator has a great interest in the assessed person;
- The review is very different from assessment that the person has of himself at the moment;
- The number of confirmations of an evaluation is high;
- The various sources are consistent reviews;
- The reviews are in line with what the person thinks of herself.

### 3. Social comparison

This theory argues that the evaluation that the person makes of himself depends on how we see this in comparison with others. Many marketing strategies have been based on this theory because the way people see themselves depends on their perception of their relative status compared with social class, a reference group and other important groups. Marketers can thus develop communications targeted to more specific groups.

### 4. Influence search/trend

This theory views the development of self-concept in terms of aspirations and search for influences in the environment that surrounds the individual to confirm if this meets their aspirations. Our Self-concepts vary in degrees, according to how we perceive ourselves in relation to others, our levels of information and categorization of ourselves according to how we believe society categorizes us.

## 3.3 CONSUMER MOTIVATION

Consumer motivation is an internal state that drives people to identify and buy products or services that fulfill conscious and unconscious needs or desires. The fulfillment of those needs can then motivate them to make a repeat purchase or to find different goods and services to better fulfill those needs.

‘Motivation’ is derived from the word ‘motive’. Motive refers to the needs, wants, drives, impulses within individuals.

### 3.3.1 Nature and Role of Motives

#### A. Nature of Motives

A number of writers have drawn distinctions between motives and other related concepts such as needs, wants, and drives. For our present purposes these distinctions are not very helpful and will be avoided. We will view a *motive* as an inner state that mobilizes bodily energy and directs it in selective fashion towards goals usually located in the external environment. This definition implies that motives involve two major components:

1. A mechanism to arouse bodily energy.
2. A force that provides direction to that bodily energy.

The arousal component activates general tension or restlessness but does not provide direction for release of this energy. It might be compared to the generally random thrashing about that newborn babies often show. The directive aspect of motives focuses such aroused energy toward some goal in the individual's environment. That is, when our hunger is aroused, we are usually directed toward particular food.

Various concepts have been offered to explain how motives exert their directional influences on consumers. Earlier views held that inborn instincts beyond the individuals control provided the direction for behavior. Later it was stressed that basic needs (hunger, thirst, and the like) impelled people towards action. This view also held that behavior instrumental in satisfying a need would become associated with it and would have a higher likelihood of occurring in future situations involving the same need arousal.

These somewhat simplistic views of motivation have been found lacking because they imply that people are impelled by various forces and have very little conscious control over the direction of their own actions. For this reason, a cognitive orientation has gained in popularity. It emphasizes the role of mental processes such as planning, evaluation, and goal selection in directing behavior. This suggests that consumers have a very active role in selecting their goals, evaluating the relative usefulness of products in terms of these goals, and consciously orchestrating their behavior in terms of these products.

## **B. Role of Motives**

As has already been noted, 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. These are discussed below

### **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 or 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 evaluation 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 style or mileages.

### 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 influence on behavior.

#### 3.3.2 Classifying Motives

Since the early 1900s many thousands of motives concepts have been suggested to account for greater diversity of human behavior. The need to group so many suggestions into a more manageable set of general categories soon became apparent. A variety of classification schemes ranging from the simplified to the complex have been proposed.

##### A. Simplified Schemes

A number of classification methods are simplified so that they group motives on the basis of one unique characteristic of interest. Several methods of particular relevance to understanding consumers are highlighted as follows.

#### 1. Physiological versus Psychogenic

One scheme categories motives according to their underlying sources. Physiological motives are oriented toward directly satisfying biological needs of the individual, such as hunger, thirst, and pain-avoidance. Conversely, psychogenic motives focus on the satisfaction of psychological desire.

Examples include the seeking of achievement, affiliation, or status. It is interesting to note that consumers often can satisfy physiological needs at the same time they are satisfying psychogenic motives.

#### 2. Conscious versus Unconscious

Motives also differ in the degree to which they reach consumers' awareness. Conscious motives are those of which consumers are quite aware, whereas a motive is said to be unconscious when the consumer is not aware of being influenced by it.

It has been suggested that people are not conscious of some motives because they don't want to confront the true reason for their purchase.



### 3. Positive versus Negative

Motives can exert either positive or negative influences on consumers. Positive influences attract consumers toward desired goals, while negative ones direct them away from undesirable consequences. Positive attractions exert the predominant influence, but a few very important cases of negative forces do exist. One example of a negative force is fear, which can play an important role in some purchases such as toothpaste for decay prevention and insurance to protect loved ones.

### B. A Comprehensive Scheme

Although the above distinctions provide useful perspective, they are limited because only one characteristic serves as the basis of classification. A more comprehensive method using four two-pole motive tendencies has been suggested by McGuire. As given under they provide an interesting basis for appreciating sixteen major motivational influences on consumer behavior. Each the is briefly characterized in table below.

1. Consistency
2. Attribution
3. Categorization
4. Objectification
5. Autonomy
6. Exploration
7. Matching
8. Utilitarian
9. Tension reduction
10. Expressive
11. Ego-defensive
12. Reinforcement
13. Assertion
14. Affiliation
15. Identification
16. Modelling

The description and classification of motives provide useful perspectives for understanding consumers. However, it must be remembered that motives have only a general influence on behavior. Their exact effect is modified by environmental conditions and the consumer's existing states, such as attitude and knowledge.

Consequently, although we may know that a given motive can guide behavior toward a particular direction, this does not necessarily enable us to predict that it will do so. Also, any given behavior, such as the purchase of a particular product, can be influenced by many motives.

Motivation is defined as "the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action". Motivation is thus the driving force behind an individual's action. Motivation refers to all the processes that initiate the drive in a person to perceive a need and pursue a course of action to fulfill the need.

### 3.3.3 Importance of Motivation

The importance of motivation arises from its effects on organisational functions:

#### 1, **Motivation Sets in Motion the Action of People**

In every organisation there are physical, financial and human resources. The utilization of physical and financial resources depends on the ability and willingness of people to work. Motivation puts human resources into action. Motivation builds the will to work among employees and enables the management to secure the best possible utilization of all resources.

#### 2. **Motivation Improves the Efficiency of Work Performance**

Motivation influences the level of performance of employees, which depends not only on individual's abilities but also on his willingness to achieve a high level of performance. Motivation bridges the gap between the ability to work and willingness to work. Thus, it helps in increasing productivity, reducing the cost of operations and securing overall efficiency.

#### 3. **Ensures Achievement of Organisational Goals**

Management can achieve goals effectively by motivating subordinates to contribute their best efforts towards the fulfillment of the assigned tasks. If people

are not motivated, no purpose can be served by planning, organising and staffing functions. By meeting individual needs through a satisfactory system of rewards, the management can secure the cooperation of subordinates towards the accomplishment of organisational goals.

**4. Motivation Creates Friendly and Supportive Relationships**

Motivation brings about employee satisfaction through monetary rewards, recognition of efficient work and promotional opportunities. Hence, it leads to cordial and friendly relationship between the employer and the employees. Industrial disputes are reduced and there is high morale. Effective motivation helps management to overcome resistance to change. Motivated employees support all changes that are in the organisational interest as they identify their own advancement with the prosperity of the enterprise.

**5. Motivation Leads to the Stability in the Work Force**

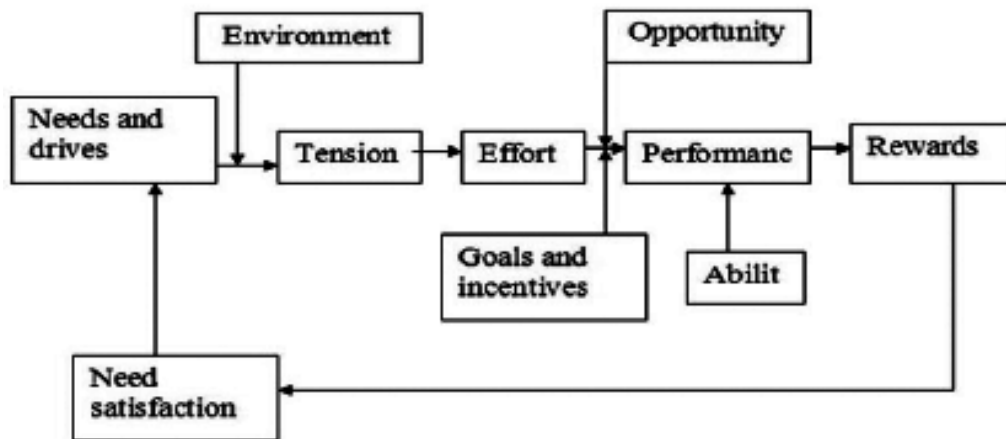
Motivation creates confidence in the subordinates and secure their loyalty to the organisation. The rate of absenteeism and turnover is reduced. This results in maintaining a stable work force. The skill and experience of employees continue to be available to the advantage of the organisation as well as the employees. The organisation thereby builds a better image and is able to attract qualified and competent people.

**6. Acceptance of Organisation Changes**

Organisations are created in the society. Because of changes in the society – changes in technology, value system, etc. Organisation has to incorporate those changes to cope up with the requirement of time. When these changes are introduced in the organisation, there is a tendency to resist these changes by the employees.

**3.3.4 Process of motivation**

The motivational process is the steps that you take to get motivated. It is a process, that when followed produces incredible results. It is amazing what you can do if you are properly motivated, and getting properly motivated is a matter of following the motivational process. Like any other process it takes a little work and foresight and planning on your part. However, the return on your investment of time is significant, and it is important when needing extra motivation that you apply the motivational process.

**PROCESS OF MOTIVATION**

In the initiation a person starts feeling lacknesses. There is an arousal of need so urgent, that the bearer has to venture in search to satisfy it. This leads to creation of tension, which urges the person to forget everything else and cater to the aroused need first. This tension also creates drives and attitudes regarding the type of satisfaction that is desired. This leads a person to venture into the search of information. This ultimately leads to evaluation of alternatives where the best alternative is chosen. After choosing the alternative, an action is taken. Because of the performance of the activity, satisfaction is achieved which than relieves the tension in the individual.

**3.3.5 Theories of Motivation**

Motivation is the driving force behind any action. It is defined as the psychological force that determines the direction of a person's behaviour, the level of effort, and the level of persistence in the face of obstacles. A motive is the inner force that simulates and compels certain behavioural response and provides specific direction to that response. The desired end state of the process is known as the person's goal.

Customers have different motivations for buying a variety of products or availing of many services. For instance, motivations for consumption could be utilitarian (some functional or practical benefit, say, a person eats green vegetables for nutritional reasons), emotional or hedonic (e.g. the need for status, social recognition, or individual fantasies). For instance, a young girl may choose an expensive brand of shampoo with a conditioner for fulfilling her personal desire to look and feel good. Same is the case when a college student buys a branded laptop instead of an unbranded computer.

According to the Drive Theory, which focuses on biological needs, the desire for a product, service or experience arises from some inner drives. That is, the consumer is keen to fulfil various inner needs—both physiological and psychological—which lead to the purchase act. However, according to the Expectancy Theory of motivation, consumers' actions are mainly driven by expectations of desirable outcomes rather than a push from inside.

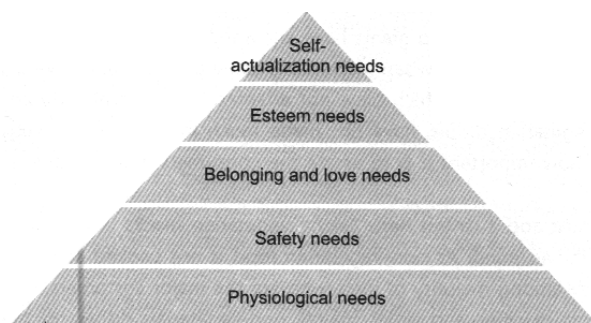
So we choose one brand over another because we feel this choice will have more desirable consequences. In fact in India, the penetration levels of even some of the essential products are low because people are not fully aware of the possible benefits. Even if they are aware, they are not convinced about the usage values of those products. Nevertheless, motivations are sometimes unconscious and, in fact, consumers on many occasions buy lots of products without actually knowing why they buy or use those items. The specific manner in which a need is satisfied depends on the consumer's unique history, personal beliefs, learning or experiences, and the environment.

#### A. Maslow's Theory of Motivation

Abraham Maslow sought to explain how people are driven by different needs at a particular point of time. He proposed five major types of human needs, which he put in a hierarchical format, in an ascending order, viz.:

- Physiological needs (water, food, sex and shelter)
- Safety needs (protection against threat)
- Belonging and love needs (friendship, affection, affiliation and love)
- Esteem needs (independence, achievements, recognition, self-respect, accomplishment and freedom)
- Self-actualization (realizing one's full potential)

These needs are depicted in a sequential order in Figure and the corresponding nature of the product demanded or created is described thereafter.



**Figure : Maslow's hierarchical structure of needs.**

1. **Physiological needs :** Food, water, sleep and, to an extent, sex are physiological needs.
  - Product — Basic food, basic clothing, medicines, drinks and physical exercise equipment.
2. **Safety needs.** Seeking personal safety, shelter and security, stability, familiar surroundings, so on and so forth.
  - Product—Preventive medicines, insurance, post-retirement savings, installing safety devices (e.g., seat belts, helmet, anti-virus package, etc.).
3. **Belonging and love needs.** Desire for love, friendship, affiliation and group acceptance.
  - Products—Personal grooming, entertainment, superior clothing, and many other luxury products and conspicuous consumption items which offer hedonic pleasures.
4. **Esteem needs.** Desire for superiority, self-respect and prestige.

These needs relate to the individual's feelings of attaining certain status and accomplishment.

  - Products—Luxury clothing, furniture, liquors, hobbies and personal use products like digital camera, premium cars, amongst others.
5. **Self-actualization needs.** This involves the desire for self-fulfillment to become all that one is capable of becoming.
  - Desires—To earn a PhD or join a good academic course in a premier institution, to win a gold medal in UG/PG studies, to serve the nation as a politician, to play for the country, become a great musician, actor, and so on.

## B. McGUIRE's THEORY OF MOTIVATION

McGuire has proposed a motive classification system that is found to be of immense value in understanding consumer behaviour. McGuire's classification of motives is briefly described now.

**1. Need for consistency**

A basic desire is to have all facets or parts, each one consistent with the other. These facets include attitudes, opinions, and self-image. Marketers use this idea in several ways. First, they develop a consistent marketing mix. The second area of marketing interest with consistency is called cognitive dissonance. This refers to the tendency of consumers to worry about the wisdom of major purchases after they have been made - after making a major purchase some consumers show a sense of doubt or anxiety about the wisdom of the purchase.

**2. Need to attribute causation**

This set of motives deals with human tendency to determine who or what causes the things that happen to us. Do we attribute the cause of a favourable or unfavourable outcome to ourselves or to some outside force? Attributing cause is a part of the foundation for the use of rhetorical theory to understand consumers' response to persuasive messages.

**3. Need to categorize**

Often, we need to categorize and organize information and experiences in some meaningful yet manageable way. So we establish categories or mental partitions that allow us to process large quantities of information.

**4. Need for cues**

These motives reflect needs for observable cues or symbols that enable us to infer what we feel and know. Impressions, feelings and attitudes are subtly established by viewing our own behaviour and that of others and drawing inferences as to what we feel and think. In many instances, clothing or dress plays an important role in presenting the subtle meaning of a desired image and consumer lifestyle.

**5. Need for self-expression or independence**

This motive deals with the need to express one's identity to others. We feel the need to let others know by our actions (which include the purchase and display of goods), who we are and what we are. The purchase of specific brand of home decoration and automobiles allows consumers to express their identity to others since these products have symbolic or expressive meanings.

**6. Need for ego-defence**

The need to defend our identities or egos is another important motive. Many products can provide a sense of ego-defence. A consumer may choose well-known brands for externally visible products to avoid any chance of making a socially non-conforming choice.

**7. Need for reinforcement**

We are often motivated to act in certain ways because we are rewarded for doing so. Externally visible products (clothing, shoes and car) are frequently chosen on the basis of the group appreciation that will be received.

**8. Need for affiliation**

Affiliation is the need to develop mutually helpful and satisfying relationship with others. Marketers frequently use such affiliation-based themes as "Your kid will love it" in advertisements.

**9. Need for role model**

The need for a role model reflects the tendency to base behaviour on that of others. Modelling is a major means by which non-users learn how to use a new product or become consumers. The tendency to role modelling explains why conformity occurs within reference groups. Marketers utilize such motives by showing the types of consumers who use their brands.

**10. Need for novelty**

We often seek variety and difference simply out of the need for novelty. Marketers refer this kind of motive as variety-seeking behaviour. This is the prime reason for brand switching and impulse purchasing. The need for novelty changes with time. That is, consumers experiencing rapid change generally become satiated and look for stability while consumers in stable environments get 'bored' and look for change.

**11. Need for assertion**

This need reflects consumers' desire to enhance their self-esteem in the eyes of others. Individuals with a strong need for assertion are found to buy more of expensive goods.



### 3.3.6 Role of Motives in Guiding Behaviour

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

#### 1. Defining basic strivings

Motives influence consumers to develop and identify their basic strivings which lead them to attain goals such as safety, affiliation, achievement, and other desired states. They serve to guide behaviour in a general way across a wide variety of decisions and activities.

#### 2. Identifying goal objects

Consumers often view products or services as the means by which they can satisfy their aspirations. This motivational push makes them identify products as goal objects. Such a behaviour is of great interest to marketers.

#### 3. Influencing choice criteria

Motives also guide consumers in developing criteria for evaluating products. For instance, a car buyer is strongly influenced by a set of alternatives besides creating his desired motives. Here, a middle-aged conservative type buyer may look for special features such as speed control and automatic driver-seat adjustments as important choice criteria besides standard features like mileage.

#### 4. Directing other influences

Motives affect the individual determinants of perception, learning, personality, attitudes, and how people process information. These in turn result in directional influences on behaviour. For example, motives influence information processing which, in turn, regulates how we interpret and respond to our environment.

### 3.3.7 Mechanism of Motivation Arousal

A variety of mechanisms can trigger the arousal of motives and energize consumers. The following may work alone or in combination to activate behaviour.

#### 1. Cognitive Activity

Humans engage in cognitive activities (prior knowledge, thinking and reasoning) even when the objects of their thoughts are not physically present. This thinking, considered by some to be daydreaming or fantasy, can also act as a motive trigger. One way this occurs is when consumers deliberate about unsatisfied wants.

## 2. Situational Conditions

The particular situation confronting consumers may also trigger arousal. This can occur when the situation draws attention to an existing physiological condition. For example, an advertisement of a soft drink or a vendor selling fast food suddenly makes you thirsty or feel like eating the same food. Here, the need for soft drinks may have been present, but not strong enough to trigger arousal. Seeing the advertisement on store draws attention to the condition and leads to some activity.

## 3. Stimulus Properties

Certain properties of external stimuli themselves also have the power to generate arousal. These collative properties include the characteristics of novelty, surprise, ambiguity and uncertainty. Possessing stimuli and sufficient amount of these properties have the potential of drawing attention to themselves by arousing an individual's curiosity or desire for exploration. So they represent a special type of situational condition. Stimuli with arousal potential are important for marketers because they can be used to attract and focus consumers' attention.

## 3.4 CONSUMER PERCEPTION

### Meaning of Perception

Perception is the process through which the information from outside environment is selected, received, organised and interpreted to make it meaningful to us.

Perception is the process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

### Definition of Perception

**According to Kolasa,** "Perception is selection and organisation of material which stems from the outside environment at one time or the other to provide the meaningful entity we experience."

**According to S.P. Robbins,** "Perception may be defined as a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment."

**According to Joseph Reitz,** "Perception includes all those processes by which an individual receives information about his environment – seeing, hearing, feeling, tasting, and smelling."

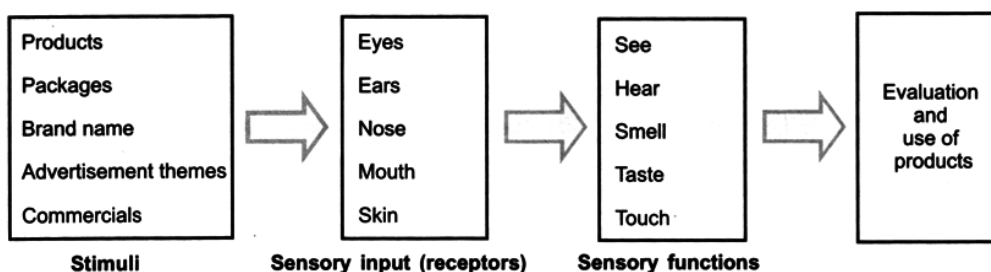
### 3.4.1 Elements of Perception

#### 1. Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli. Sensitivity of a stimulus depends on the quality of sensory receptors, the amount of stimulus to which the individual is exposed, and the environment within which the perception takes place. The process of transforming any sensation is as shown in Exhibit.

**Exhibit**

#### **The Process of Transforming a Sensation**



**Absolute sensation.** It is defined as the level at which an individual can differentiate between something and nothing. In the case of an advertisement based on sensory adoption, the consumer gets so much exposed to a particular message about certain brands that he/she no longer wishes to see such ads. To cope up with this problem, marketers try to either increase or decrease the sensory input by a significant amount, say, by changing the advertisement set-up, message, package design, etc. from time to time.

#### 2. Absolute Threshold

Absolute threshold is the point at which an individual identifies the difference between 'something' and 'nothing'. Though the absolute threshold increases when an individual gets exposed to a particular product or object or events continuously, the stimuli does not make a positive impression because of the adoption process. The sensory adoption is often considered as an issue which the advertisers seek to avoid. When a viewer is exposed to the same advertisement for long and continuous period then he does not show much interest in that ad. Such viewers will not see the ad for longer period as it does not provide adequate sensory input. But with the development of new media, advertisers have identified the need for creating new advertisements which assist in rein-forcing their brand image.

### 3. Differential Threshold

Differential threshold or just noticeable difference (j.n.d) is the minimum difference which an individual senses between two similar stimuli. The concept of differential threshold or j.n.d was proposed by Ernst Weber a German scientist in the 19th century. Weber recognized that differential threshold between two stimuli was not the complete amount and was related and dependent on the tendency of the first stimuli. Weber's law states that "if the initial stimulus is strong, more or additional tendency will be required for the second stimulus to be perceived as different".

#### 3.4.2 Dynamics of Perception

Perception is a result of two types of inputs: *physical stimuli* and *past experiences*. The combined effect of these two factors produces different pictures for each individual. This is because people are very selective as to which stimuli they recognize and which they neglect. Secondly, for the stimuli they recognize, their interpretation would depend on their personal needs, expectations, and experiences. There are three aspects of perception:

- A. Selection
- B. Organization
- C. Interpretation of stimuli

#### A. Perceptual Selection

Generally, an individual subconsciously selects only a small number from the large number of stimuli that he encounters. This depends on three factors which are briefly described now.

1. **The nature of the stimuli.** A stimulus can have a large amount of variations depending on the nature of the product, the physical attributes, the design, the brand name, the type of advertisement, and so on. For example, contrast is most commonly used as a stimulus. In newspapers, full-page ads would catch more attention than a similar smaller ad. Likewise, products of reputed companies or of superior packaging are perceived to be of better quality by most customers.
2. **Previous experience.** Consumers see what they expect/want to see. What they expect depends on their previous experience. Thus, different consumers would see different qualities in the same product depending on their needs.

3. **Customer's motives.** People tend to ignore the stimuli that are irrelevant to their needs. This helps a marketer decide the segments to which the product can be targeted. Also, a marketer can develop a series of advertisements or appeals to attract different segments of the market. Generally, brands focus on different senses of the buyer to stimulate their attention.

These factors give rise to four additional concepts about perception :

- (i) **Selective exposure** : Customers actively seek out messages that they find pleasant and avoid fearful or threatening ones. Also, they actively expose themselves to advertisements that reassure them of the wisdom of their buying decisions. Cigarettes are the perfect example here.
- (ii) **Selective attention** : Heightened awareness for products that the customer needs.
- (iii) **Perceptual defence** : Consumers subconsciously screen out stimuli that they find psychologically threatening even though the exposure has already taken place.
- (iv) **Perceptual blocking** : Consumers consciously avoid the stimuli just because of the sheer excess amount of exposure. For example, changing the channel during commercial breaks.

#### B. Perceptual Organization

People have shown a tendency to organize various stimuli into groups and perceive them as unified whole objects. Some basic patterns noticed in perceptual organization are now described.

- (i) **Figure and ground** : Consumers mostly perceive an object or product in a manner in which it is displayed. Gestalt psychologists state that if individuals arrange stimuli into wholes then they will differentiate important stimuli from the stimuli which are less important. The advertisers make attempts for assuring that the product is the figure and the setting is in the background.
- (ii) **Grouping.** People show a tendency to group stimuli so that they form a unified picture or impression. Combining chunks of information into a holistic picture facilitates their memory and recall process. How the principle of grouping is used very effectively by marketers is illustrated below in the advertisements of Pepsi and Axe.

- (iii) **Closure.** Individuals have a need for closure. They express this need by organizing their perceptions so as to form a complete picture even if it means subconsciously filling in the missing parts.

### **C. Interpretation of stimuli**

Perception is considered as a personal experience or event wherein the individuals based on their assumptions about the stimuli have the ability to determine the meaning of the aspects which they have selectively perceived and organized. Such interpretation basically rely on the expectations of the individuals by taking into account their past experiences, intuition, data received, motives and interests during the time of perception. Sometimes stimuli are unclear and confusing.

Some stimuli may either be too strong or too weak. The individuals due to ambiguity of stimuli would opt to interpret the sensory inputs obtained by them for meeting their personal needs, interests etc., perceptual interpretations of the stimuli are done by the individuals relatively so there are the chances of occurrence of misinterpretation.

After selecting and organizing stimuli, the consumers interpret or predict them. They make use of the following two principles for the interpretation of marketing information.

- (i) Categorization
- (ii) Inference.

### **Perceptual Distortion**

Some factors which affect the individuals result in perception distortion. The different factors leading to perceptual distortion are as follows,

- (a) Personality or physical appearance
- (b) Stereotypes
- (c) Halo effect
- (d) Irrelevant cues
- (e) First impression
- (f) Hasty conclusions

### **Perceptual Inference**

The consumers make inferences about brands, outlets and association. The product symbols and semeiotics helps in understanding the perceptual inference.

### 3.4.3 Complexities in Consumer Perception

As consumers are invariably subject to a lot of information exposure and influences, they tend to form their perceptions depending on their mindsets. Different factors which play an important role in the formation of perception are briefly discussed below.

#### 1. Physical Appearances

In the absence of tangible issues, consumers tend to attribute the quality they associate to certain subjective clues or people whom they may resemble although they might not consciously recognize their similarity. For example, studies have found that attractive models are more persuasive than average-looking models. This is why in many advertisements of toiletries, cosmetics and conspicuous consumption, handsome men or beautiful women (especially the latter) are mostly chosen.

#### 2. Stereotypes

These play an important role in how a person finally perceives a particular stimulus.

#### 3. Halo Effect

The halo effect can be described as a situation in which the evaluation of many products is based on just a single parameter or at best two/three simple dimensions.

#### 4. First Impressions

Though it may sound a bit absurd, it is often found that first impressions are generally formed without complete knowledge of the product. They are long lasting. Hence the implication for the marketer is that the most important message about the product should be given in the beginning when the consumer is yet to form his opinion.

### Factors Influencing Consumer Perception

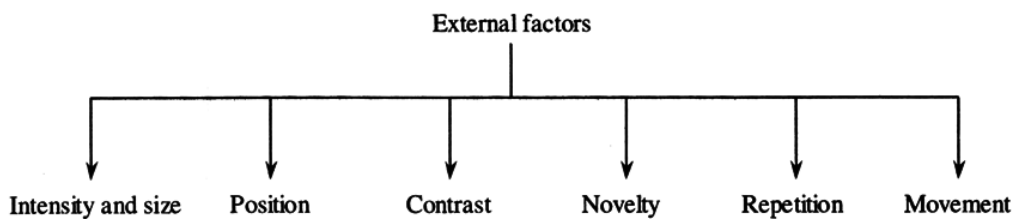
The perception about any product or service relies on both internal and external factors. The external factors are particularly associated with the physical character of the stimulus, whereas internal factors involve motives and expectations of the individuals. These factors affects perception of an individual about a product or brand.

#### A. External Factors

The external factors or the physical properties of the stimulus are as follows

1. Intensity and size
2. Position

3. Contrast
4. Novelty
5. Repetition
6. Movement.



### 1. Intensity and Size

The attention of an individual is mostly drawn towards the products having brighter colour or intensity or louder sound. The elements like sound, bright colour and big banner helps in attracting the prospective customers. The large sized advertisement published in a newspaper or magazine will be read by more number of customers when compared to small insertion. Individuals mostly notice advertisements which are inserted on other pages of the newspapers instead of classified ad columns.

### 2. Position

The display position of the product or service or advertisement is also an important factor influencing the attention of consumers. The advertisement which is inserted next to a compatible editorial column of a magazine and a newspaper is read by more number of readers. The consumers and people easily get influenced by positioning of product at point of purchase such as placement of products on the shelves at the retail stores, rotating bill boards and hoardings placed at some significant points.

### 3. Contrast

The individuals have the potentiality to adopt sounds, odours, pain, bright lights, neon signs and movements. They make use of their sensory organs to adjust themselves to different stimuli. Under such circumstances, contrast will assist in the process of perception. While marketing, media planner plan their advertisement by considering the effect of contrast on perception.



Some instances of contrast which influences the consumer's perception are as follows :

- Black and white advertisement with a small spot draws the attention of the consumers because of the contrast.
- Few advertisers feels that colour advertisements are more attractive than black and white advertisements.
- Few advertisers make use of both large and small sizes, loud and soft tones or primary and master shades for drawing the attention of the people.
- Advertising a product or an object beyond its normal setting also draws the attention of the consumer.

#### **4. Novelty**

The marketers have found that any product which is different from the normal expectations will usually grab more attention (for instance a distinct shape of a bottle).

#### **5. Repetition**

In order to help the consumers for recalling the brand and developing a strong desire in them to purchase a particular product, the advertisements are frequently repeated. As wide varieties of consumer non-durable goods are available in the market the consumers may not find any interest in searching the information about the product and brand before taking a purchase decision. In such situations, frequent exposure by repetition of the ads will assist the consumers in recalling the brand. The marketers should make use of different techniques for conveying the consumers that their brand has distinct value.

#### **6. Movement**

The advertisers are also making use of bill boards or hoardings with the (movement) mobile vans etc., for developing a feeling of movement into it. The marketers are determining many effective ways for reaching the customers by managing few movementful activities such as holding free trials, demonstrations, exhibitions, mobile vans and so on. These activities can also lead to excitement and strengthens brand recall.

## II. Internal Factors

Marketers make many attempts for determining the effect of their usage of elements of the marketing mix on the minds of the consumers. The customers have the ability to utilize the messages shown by the marketers, make their own interpretations about the messages and assesses the capability of the brand.

Consumers mostly relate their idea of the product or service with the brand name. It is the brand which becomes the idea of consumer. As the consumers have their own perceptions, interpretation and beliefs about the brand value, it plays a crucial role in the market place. Thus, almost all the organizations are making significant attempts for enhancing their "Brand Personality".

Marketers are continuously trying to obtain answers to the internal factors which influence the perception of consumers about a particular product or service. An effective advertisement assists in developing a "personality difference" and a brand personality can be associated with the positioning.

### 3.4.4 Perceptual Mapping

Perceptual mapping helps marketers understand how the consumers perceive their offerings in relation to competitive brands on certain consumer-chosen dimensions. It enables them to assess how consumers view different brands in a product category and marketers can identify areas in which consumer needs are not being adequately met.

In this method there is a spatial representation of products or distribution in space of points on several aspects, this forms a perceptual map.

Perceptual mapping is based on the perceived likeness or difference among the products. The perceived characteristics are distributed in perceptual maps in the product space. The perceived characteristics are interpreted as per their positions/locations in space of several dimensions along the axes represent the attributes. Mostly two dimension along the axes representing the attributes are used, as more dimensions complicate the map. The dimensions could be different aspects, of the product. The product position, product line based or company is shown as per the competition.

Then sometimes the perceptual maps have a consumer's ideal points which represent the best combination of the two dimensions perceived by a consumer. A market segment is a cluster of ideal points. Where there are no ideal points it is a 'demand void'.

Perceptual maps could be based on the marketers perception of the industry so called judgmental / consensus or intuitive maps.

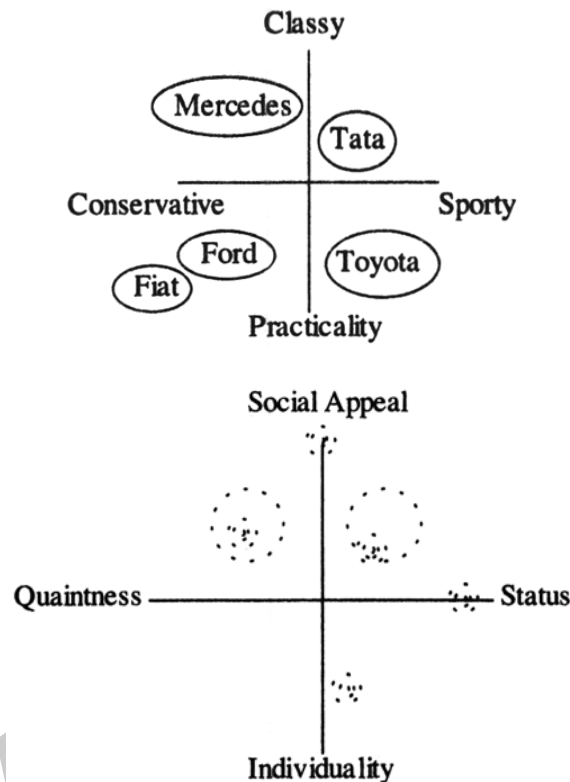


Figure : Perceptual of Ideal Points and Clusters

#### Usage of Perceptual Mapping

1. Perceptual mapping is used to locate the dimensions and position the aspects of new products along these dimensions.
2. It gives valuable data regarding the characteristics being applied in evaluating the perceived likeness or differences among products and the products perceptions on those characteristics.
3. It helps to map the relationship between various consumer products, populations, industrial goods and so on.
4. Used for tracking changes, evaluation, market segmentation and concept development in marketplace perception.

### Steps in Perceptual Mapping

Perceptual mapping is a two step process as,

- (a) Data collection and
- (b) Data analysis and interpretation.

#### (a) Data Collection

Is through discriminant analysis. It is detailed, correct, accommodates a lot of information in less dimensional space about different product features and remain unchanged even after addition of attributes which uses ratings which is simple for consumers to understand.

#### (b) Data Analysis and Interpretation

Weighted combination of attributes forms the dimensions of the perceptual map. After the formation of the dimensions each individual products mean score of each dimension is calculated for plotting the products location in space. The mean for each attribute and dimension is zero, whereby the centre of all the plotted points is at the centre of the space.

### 3.4.5 Brand Positioning and Perception

One of the essential steps of successful marketing is to create an image for the company or its different brands in the minds of the consumers, popularly known as brand positioning. Hence, a positioning strategy is developed at two fronts: one that is congruent with the needs of the consumer and the other that keeps in mind how consumers shall perceive the competitive brands. The result of a good positioning is creating a distinct image of those brands which make consumers think when making a lasting choice. A positive (brand) image is likely to lead to consumer loyalty, stronger beliefs about brand values, and a willingness to buy the same brand even when more options are available.

#### Some possible positioning methods

##### 1. Umbrella Positioning

Umbrella positioning entails creating an overall image for the company around which all individual products may fit in.

## 2. Positioning Based on a Specific Benefit

In this type of positioning, attempts are made to highlight certain key consumer benefits derived from using the brand or segment of a market. The soft drinks brand Sprite, for example, has the tagline "Sprite bujhaye only pyaas, baaki sab bakwaas" (only quench the thirst, the rest doesn't matter). Similarly, Domino's Pizza's promise of "within 30 minutes delivery" is an example of such a positioning where an assurance of delivery is prominently highlighted.

- (i) **Celebrity endorsement.** Flying Machine Jeans have tried to create a laid-back image for their offerings and appealed to the youth through Bollywood celebrity Abhishek Bachchan.
- (ii) **Finding an "unowned" position.** Even in highly competitive markets, sometimes it is possible to find a niche or territories not served; for example, Shower gel shampoo.
- (iii) **Filling several positions.** Using a combination of benefits, marketers create several distinct offerings, often in the form of different brands, to fill in identified niches. Passenger car is a good example. Utility vehicles like Toyota Qualis, Tata Safari, Cheverolet Tavera, Ford Endeavour, Mahindra Scorpio, Bolero, etc. have positioned these models with several benefits such as sporty car, family vehicle, and a style statement.

## 3. Consumer Imagery

Consumers try to preserve or enhance their personal pictures by buying products or brands that they believe are consistent and congruent with their self-images. Since it is difficult to offer unique functional values beyond a point, all brands ultimately try to develop some symbolic values. In fact, consumers also perceive these brands as their best choice which match with their personal images. New product launches mostly fail in the market because they are perceived as "me too" offerings. Consumers don't perceive any distinct superior benefits in such new brands in comparison to the existing options.

## 4. Positioning of Services

Image becomes a key factor in differentiating services from competition. Hence, marketers need to position their service in such a manner that the consumer is able to relate it to the brand name and feel important.

### 3.4.6 Perceived Price

Consumers' perception of price has a strong influence on both purchase intentions and satisfaction. A reference price is the price that the customer may use for comparison for judging another price. The types of pricing strategies based on customers' perception of the value provided by the purchase are:

- **Satisfaction-based pricing.** This provides value by recognizing and reducing customers' perception of uncertainty. Such pricing strategy is implemented by service guarantees, flat pricing rate, and ensuring specific benefits.
- **Relationship-pricing.** It gives value by encouraging long-term relationship with the consumers which they perceive as beneficial. It is implemented through long-term contracts and price bundling.
- **Efficiency-pricing.** It provides value by reducing the service cost by sharing with customers the cost savings the company has achieved.

### 3.4.7 Perception of Colours

It has been observed that consumers, by and large, perceive each colour in a unique manner. The common perceptions of different colours are stated now.

- (i) **Yellow** is an optimistic colour that almost always evokes a positive response. The eye sees bright yellow before any other colour, making it great for point-of-purchase displays.
- (ii) **Red** evokes excitement, passion, strength, and vitality. In marketing, it means hot and strong, and so it is associated with strength (e.g. coffee, EVEREDAY battery)
- (iii) **Purple**, with its blend of passionate red and tranquil blue, evokes sophistication, spirituality, costliness, royalty and mystery. It's right for upscale and artistic audiences. Lavender evokes nostalgia and sentimentality.
- (iv) **Brown** evokes utility, earthiness, and subtle richness. From a functional perspective, brown tends to hide dirt, making it a logical choice for industrial companies.
- (v) **White** evokes purity, truthfulness, contemporariness, and refinement. White is often used in Christian weddings, and with infant and health-related products.

- (vi) **Pink** evokes femininity, innocence, softness, and health. In marketing pink conveys youthfulness, fun, excitement and is recommended for trendy products for women or girls. Dusty pink appears sentimental. Lighter pink is more romantic.
- (vii) **Orange** evokes fun, cheeriness, and warm exuberance. It draws quick attention. Orange colour is excellent for conveying certain powerful and affordable things. Research indicates its lighter shades appeal to an upscale market. Peach tones work well with health care, restaurants and beauty salons.
- (viii) **Green** evokes tranquillity, health, and freshness. In marketing, it is used to convey living things and nature. Its pale tones are soothing; and deeper green is associated with wealth or prestige, while light green is calming.
- (ix) **Blue** evokes authority, dignity, security, and respect. In marketing, it implies mildness, responsibility and security. Blue is an especially popular colour with financial institutions, as its message of stability inspires trust. IBM, Pepsi, and SBI have probably chosen the blue colour to show dominance in its market.
- (x) **Gray** evokes sombreness, practicality, and a corporate mentality.
- (xi) **Black** evokes elegance, distinctiveness, sophistication or being classic. In marketing black colour works well for expensive products. It makes a product look somewhat elegant (e.g. black suit).

#### 3.4.8 Perceived Risk

Many consumers face uncertainty in deciding what products or services to buy. Perceived risk refers to the degree of uncertainty perceived by the consumer about the consequences (outcome) of a specific purchase decision. An individual consumer's perception of risk varies with product categories and it is also affected by the shopping situation (e.g. traditional stores, door-to-door sales, modern outlets).

##### Types of Perceived Risk

- (i) **Functional risk.** This implies the risk that the product will not perform as expected. Example: "Will the new laptop operate for two hours without being recharged?"

- (ii) **Physical risk.** It denotes the risk to self and others that the product may pose. Example: "Is a cellular phone really safe?"
- (iii) **Financial risk.** This involves the risk that the product will not be worth its cost. Example: "Will a cheaper model of a plasma TV be launched six months from now?"
- (iv) **Social risk.** It essentially means the risk that a poor product choice may result in social embarrassment. Example: "Will my classmate laugh at my choice of two-wheeler?"
- (v) **Psychological risk.** This refers to the risk that a poor product choice will bruise the consumer's ego. Example: "Will I feel embarrassed before my friends if I listen to music on a walkman?"
- (vi) **Time risk.** It involves the risk that the time spent on product search may be wasted if the product does not perform as expected. Example: "It was not worth searching for a particular model of shoe".

Consumer perception of risk varies, depending on the:

- Person
- Product
- Situation
- Culture

(vii) **High-risk perceivers.** High risk perceivers are described as narrow categorizers because they limit their choices (e.g. product choices) to a few safe alternatives.

(viii) **Low-risk perceivers.** Low-risk perceivers are described as broad categorizers because they tend to make their choices from a much wider range of alternatives.

### **Risk Reduction Strategies**

Consumers are found to handle perceived risk in different ways as noticed through several empirical research studies.

1. **Consumers seek information.** Through word-of-mouth communication, from salespeople, from the general media.



2. **Consumers stay brand loyal.** Consumers become loyal to a brand to avoid risk of purchasing new or untried brands.
3. **Consumers select products by brand image.** When they have no experience with a product, but tend to 'trust' a favoured/well-known brand name.
4. **Consumers rely on store image.** If consumers have no prior information about a product, they often trust the judgment of the merchandise buyers of a reputed store.
5. **Some consumers buy the most expensive model.** Consumers here equate price with quality.
6. **Consumers seek reassurance.** Customers do this via money-back guarantees, government trademark private laboratory test results, ISO certification, warranties, and pre-purchase trials.

### 3.5 ATTITUDES FORMATION AND ATTITUDE CHANGE

#### Meaning of Attitudes

An attitude is a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object.

The 'object'. The word 'object' in the above definition should be interpreted broadly to include any consumption or marketing related entities, such as a brand, a product, the product category, the service, possessions, the situation, the causes or issues, the consumer type, the advertisement, the Internet site, the price level, and the retailer.

#### Definitions of Attitudes

**According to Bem,** "Attitudes are likes and dislikes".

**According to Engel,** "Attitudes are an overall evaluation that allows one to respond in a consistently favorable or unfavorable manner with respect to a given object or alternative".

**According to Allport,** "Attitude is learned predispositions to respond to an object or class of object in a consistently favorable or unfavorable way".

A definition of attitude popularized by cognitively oriented social psychologists is, "an enduring organisation of motivational, emotional, perceptual, and cognitive process with respect to some aspect of the individual's world".

This shows attitudes as being made up of three components :

1. Cognitive component of an attitude – the opinion or belief segment of an attitude.
2. Affective component of an attitude – the emotional or feeling segment of an attitude.
3. Behavioral component of an attitude – an intention to behave in a certain way towards someone or something.

### **Characteristics of Attitudes**

#### **1. Attitudes have an Object**

By definition, attitudes must have an object. That is, they must have a focal point whether it is an abstract concept, such as “ethical behavior”, or a tangible item, such as a motorcycle. The object can be a physical thing, such as a product, or it can be an action, such as buying a lawnmower. In addition, the object can be either one item, such as a person, or a collection of items such as a social group.

#### **2. Attitudes have Direction, Degree and Intensity**

An attitude expresses how a person feels toward an object. It expresses:

- i) **Direction:** The person is either favorable or unfavorable toward, or for against the object;
- ii) **Degree :** How much the person either likes or dislikes the object; and
- iii) **Intensity :** The level of sureness or confidence of expression about the object, or how strongly a person feels about his or her conviction. Although degree and intensity might seem the same and are actually related, they are not synonymous.

#### **3. Attitudes have Structure**

Attitudes display organisation, which means that they have internal consistency and possess inter-attitudinal centrality. They also tend to be stable, to have varying degrees of salience, and to be generalized.

The structure of human attitudes may be viewed as a complex Tinker Toy set erected in a type of circular pattern. At the center of this structure are the individual's important values and self-concept. Attitudes close to the hub of this system are said to have a high degree of centrality. Other attitudes located farther out in the structure possess less centrality.

**4. Attitudes are Learned**

Attitudes is gradually learnt over a period of time. The process of learning attitudes starts right from childhood and continues throughout the life of a person. However, in the beginning, the family members have a greater impact on the attitude of a child. For example, if the family members have a positive attitude toward business and negative towards service, there is a greater likelihood that the child will inculcate similar attitudes towards these objects.

**5. Attitudes are Predispositions**

A predisposition is an inclination or tendency towards something; attitudes have motivational qualities.

**6. Attitudes have a Relationship with Behavior**

For marketers, the behavior of primary interest is product purchase.

**7. Attitudes are Consistent**

However, this does not necessarily mean that they are permanent; attitudes can change.

**Types of Attitudes**

**1. Job Satisfaction**

The term satisfaction refers to an individual's general attitude toward his or her job. A person with a high level of job satisfaction holds positive attitude toward the job, while a person who is dissatisfied with his or her job holds negative attitude about the job.

**2. Job Involvement**

The degree, to which a person identifies with his or her job, actively participates in it and considers his or her performance important to self-worth.

**3. Organisational Commitment**

The degree to which an employee identifies with a particular organisation and its goals and wishes to maintain membership in the organisation.

### Functions of Attitudes

Attitudes serve four possible functions :

#### 1. Utilitarian function :

Consumers hold certain attitudes about an object mainly because of its utility. When a brand or product has been useful or has performed well in the past, consumers' attitude towards it may tend to be favourable. Here, the communication is directed at product attributes which the consumer values for reliability, safety and need fulfillment. For example, the advertisement of *Dove soap* points out that the soap contains ingredients that protect the consumers against the harmful effects of dry skin. Consumers wash their clothes in fully automatic washing machines (a first in this category) and an egg staying unbroken along with the clothes after the rinse, their experience is one of convenience, superior technology and reliability—all these make the utility of the washing machine really great. The consumers thus form a favourable attitude to the brand.

#### 2. Ego-defensive function

Consumers develop attitudes to achieve personal goals and protect their self-images. For example, advertisements for cosmetics and personal care products generally emphasize on a sense of personal confidence. Crack cream was a huge success because it addressed the winter scratches and crack marks on the hands and toe. From this experience, products have been developed for crack marks anywhere on the body.

#### 3. Knowledge function

Consumers generally have a strong urge to know things they use or come across. This tendency is fully utilized through brand advertising and subsequent positioning decisions. Having gathered some knowledge about a particular brand, it enables consumers to simplify their purchase decisions as they do not require to compare among possible options. For example, Intel chip ad has talked about its assumed performance and reliability features and, in the process, consumers assume certain configuration of the system. This reduces uncertainty and perceived risk. For many technical products/brands, advertising tries to inform the consumers about the key features or appeals to them why the brand is the best buy. Similarly, the ad of a washing machine shows the advantage of front loading system. In all these cases, favourable attitudes are formed without using the product at all.

#### 4. Value-expressive function

Attitudes are formed to display consumer's own values, lifestyle and outlook. Peter England shirts, when launched by Madura Coats in India, declared it as "the Honest Shirt"—clearly read by the consumers as value for money. Transition of this brand over the years has shown to have taken place across both middle class and upper middle class consumers of society; but the concept of "good value for money" stays on.

At times some advertisers appeal to self-enhancement, achievement or independence. For example, for high fashion or conspicuous consumption items, every product/brand tries to project its value-expressive function or superior lifestyle.

#### Attitude Formation Models

As described above, attitudes are learned dispositions and are formed by various influences. Marketers can better create or influence consumer's choice by understanding the process of attitude formation. The following three models explain the process of attitude formation based on different theoretical assumptions about underlying factors.

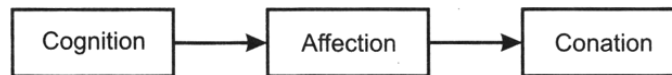
##### A. Tri-component attitude model

The hierarchy of effects model proposed in 1961 by Robert J. Lavidge and Gary A. Steiner is a series of steps by which customers receive and use information in reaching the final decision about what actions they will take (e.g. whether or not to buy a product), through a series of seven stages:

1. Unawareness
2. Awareness
3. Knowledge
4. Liking
5. Preference
6. Conviction
7. Purchase.

These seven stages were condensed by Leon G. Schiffman in 2006 into three theoretical categories named as the tri-component attitude model (see Exhibit).

**EXHIBIT**  
**The Tri-component Attitude Model**



**1. Cognition (Thinking)**

It represents an individual's knowledge about a particular object, which includes its attributes and benefits based on the customer's own experiences and the information gathered from marketers and other customers about the product. This stage encompasses the steps of unawareness, awareness, and knowledge in Lavidge and Steiner's hierarchy.

**2. Affection (Feeling)**

It encompasses the customer's feelings or emotions about an object, namely, the evaluation of a product or brand. This stage corresponds to the steps of liking and preference in Lavidge and Steiner's hierarchy.

**3. Conation (Doing)**

This stage is an individual's intention to act in a particular way or a predisposition to take a specific action. It reflects the steps of conviction and purchase in Lavidge and Steiner's hierarchy.

**B. Theory of Reasoned Action (TORA)**

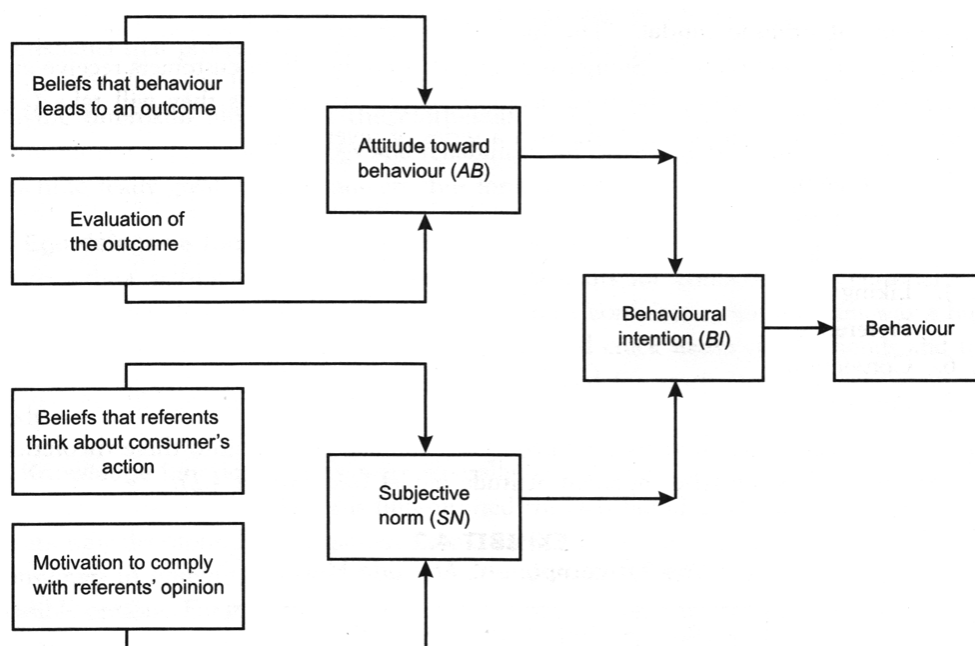
Derived from social psychology setting, the Theory of Reasoned Action (TORA)—see Exhibit 4.3—was proposed by leek Ajzen and Martin Fishbein in 1975 and 1980, respectively. The theory not only looks at the process of attitude formation but also evaluates social and environmental influences.

The components of TORA are three general constructs:

- (i) behavioural intention (BI)
- (ii) attitude (A)
- (iii) subjective norm related to behaviours (SN).

EXHIBIT

Illustration of the Theory of Reasoned Action (TORA)



TORA suggests that a person's behavioural intention depends on the person's attitude about the behaviour and subjective norms ( $BI = AB + SN$ ). A person's intentions are guided by two factors: (i) the person's attitude towards behaviour and the subjective norms. Behavioural intention measures a person's relative strength of intention to exhibit certain behaviour. Attitude consists of beliefs about the consequences of the behaviour multiplied by a person's valuation of these consequences. Subjective norm is seen as a combination of perceived expectations from relevant individuals or groups whose opinions are valuable and the person tends to behave along the lines of his intentions to comply with these expectations. Thus,

$$BI = (AB) W1 + (SN) W2$$

where

AB = one's attitude towards the behaviour

SN = subjective norms

W = empirically derived weights

and other notations as already explained.

**1. Attitudes**

It is the sum of different possible beliefs about a particular behaviour weighted by evaluations of these beliefs.

**2. Subjective norms**

These look at the influence of people in one's social environment on his/her behavioural intentions. The beliefs of people, weighted by the importance one attributes to each of their opinions, will influence one's behavioural intention.

**3. Behavioural intention**

It is a function of both attitudes towards a behaviour and subjective norms towards that behaviour, which has been found to predict the actual behaviour.

**C. Multi-attribute Attitude Model**

This type of model portrays consumers' attitudes with regard to an attitude object (e.g. a product, a service, a direct-mail catalogue or a cause or an issue) as a function of consumers' perception and assessment of the key attributes or beliefs held with regard to the particular attitude object.

According to this model, the consumer's 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. The ideal point Multi-attribute Attitude Model is

$$A_p = \sum_{i=1}^n W_i [I_i - X_i]$$

where

$A_p$  = attitude towards a product

$W_i$  = importance of attribute i

$I_i$  = ideal performance on attribute i

$X_i$  = belief about product's actual performance on attribute i

n = No. of salient attributes

Consumers indicate where they believe a product is located on scales representing the various levels of salient attributes. This model sums up the perceived performance of a product on all possible criteria. Consumers are supposed to report where an ideal



product would fall on these scales. Subsequently, these ratings are matched with a similar survey on a product. The closer the ideal and actual the ratings, the more favourable the attitude.

### 3.5.1 How to Change Consumers' Attitude

On the basis of the foregoing discussion, and in particular the multi-attribute attitude model, there are four ways to change the consumers' attitude:

#### 1. By changing the consumers' beliefs

Consumer beliefs can be changed in many ways. Marketers hope that changing beliefs about products will result in more favourable product attitudes and influence the purchase decisions of consumers. In case of myths and false beliefs, the promotions and advertisements can target raising awareness in a focussed way.

However, if the beliefs are genuine, the awareness campaign will have a negative impact on the product itself and the product change decision should be taken accompanied by another awareness campaign. In the case of a rival brand incorporating certain attributes into its product, a marketer can resort to comparative advertising which can affect the consumers' beliefs about the rival brand to a large extent, e.g. sugar-free soft drink, cholesterol-free oil

#### 2. By adding new beliefs

Some new beliefs can be added by using third-party endorsements and authentic source messages. To make consumers believe that its diet Coke had nutritional value, Coca-Cola roped in John Abraham who was one of the fittest movie stars of that time.

#### 3. By changing attribute importance

It is usually true that changing an attribute's importance is more difficult than changing a belief. But then, various marketers have successfully employed methods to counter this. Normally, it is a long-drawn process where marketers try to convince the consumers through their subtle advertisements and other publicity materials that the most important attributes are those on which their brand is strong. Much of it falls in a grey area of ethics. However, it is not uncommon to see sponsored researches and surveys come up with data that enforce a particular attribute's superiority. In a recent example, biscuit brands like Parle-G and Tiger

as well as Horlicks have come up with the information that they contain different nutrients in an effort to prove that these nutrients are essential for growth. This is a war where the marketer with the ability to convince the consumer will grab a large pie of low-priced biscuits on food supplement market. It is also common to see in some cases, firms coming up with new attributes in their products which are more important for the consumer. As a bottomline, increasing attribute importance is desirable when the competitor's brand is farther from the ideal point than your product.

#### 4. By changing ideal points

There are cases of innovative products and/or the old products with radically new attributes where the marketers need to alter consumers' perception of what an ideal product should look like. In the current world of flow of information, it is an attempt that needs a lot of deliberation and background solidification. An example of such an ad is that of Moov:

The Multi-attribute Model provides certain insights into the way attitudinal changes can be brought about. Such a change can be effected by

- (i) changing the consumer beliefs;
- (ii) adding new beliefs;
- (iii) changing attribute importance (also, by adding new attributes); and
- (iv) changing the ideal points.

**(i) Changing the relative evaluation of attributes.** For the same product category, brands try to highlight different features or attributes. For example, Moov, a balm to relieve pain in the back, and Iodex to relieve pain due to any inflammation or swelling, sprain, etc.

Another example pertains to marketers persuading consumers who prefer one version of the product, say, a professional 35 mm camera Yashika to shift their attitudes to another version of the product, say, an automatic ready-to- point-and-shoot camera Konika.

#### **(ii) Changing brand beliefs**

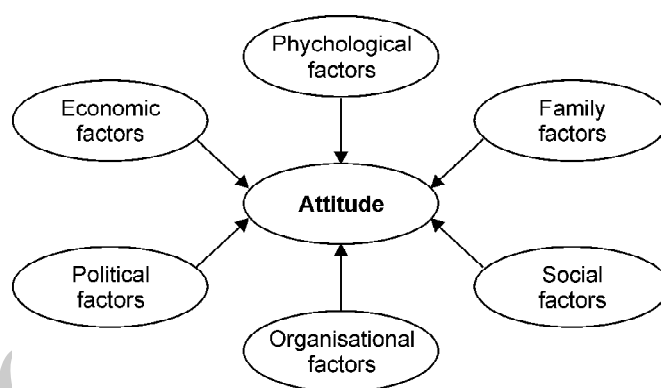
This calls for changing attitudes of consumers by changing beliefs or perceptions about the brand itself. For example, Procter & Gamble (P&G's) Ariel Microshine detergent claims to be a tough cleaner, powerful stain remover and easy to use, unlike other detergents which only whiten the clothes.

(iii) **Adding a new attribute.** This means either adding an attribute that previously has been ignored or one that represents an improvement or technological innovation. For instance, initially Bournvita was positioned as a superior product to milk, i.e., a health builder. Of late, Bournvita's advertisement claims it to be a necessary product since, as a health builder, it contains vital calcium, vitamins and carbohydrates which are a must for growing children.

(iv) **Changing the overall brand rating.** This implies changing the consumer's overall assessment of the brand.

### 3.5.2 Factors Affecting Formation of Attitude

The above are the three important ways in which attitudes are learnt. But what type of attitudes will ultimately develop is dependent on the following factors:



**Fig.: Formation of Attitudes**

#### 1. Psychological Factors

The psychological make-up of a person is made up of his perceptions, ideas, beliefs, values, information, etc. It has a crucial role in determining a person's attitudes. For example, if a person perceives that generally all superiors are exploitative, he is likely to develop a negative attitude toward his superior who in fact is not exploitative.

#### 2. Family Factors

During childhood, a person spends a major part of his time in the family. Thus, he learns from the family members who provide him with ready-made attitudes on a variety of issues such as education, work, health, religion, politics, economics,

etc. Every family instills or attempts to instill such attitudes among its members as are considered appropriate to its socio-economic status in the society. Therefore, a person from a middle class family may hold a different attitude towards spending than a person from an affluent family. In the later years of life, however, any person whom we admire, respect or fear may have greater influence on our attitudes.

### **3. Social Factors**

Societies differ in terms of language, culture, norms, values, beliefs, etc., all of which influence a person's attitudes. For example, people in India in general hold different attitude towards communism than people of China. Similarly, Indians and Americans differ in their attitudes towards religion. Thus, people belonging to a nation develop attitudes which would be in tune with the needs of the society.

### **4. Organisational Factors**

It should be remembered that a worker spends a major part of his life in the institution in which he works. Thus, organisational factors such as nature of job, factory or office layout, fellow workers, quality of supervision, monetary rewards associated with the job, trade unionism, informal groups, organisation's policies and practices, play an important role in shaping the job attitudes of a person. For example, if a creative person finds the nature of his job to be repetitive, dull, boring and less changing he is likely to develop a negative attitude towards his job.

### **5. Economic Factors**

A person's attitude towards a host of issues such as pleasure, work, marriage, working women, etc., is influenced by economic factors such as his economic status in the society, rate of inflation in the economy, government's economic policies, and the country's economic conditions. For example, during the Gulf crisis, the government of India made a big drive to save oil so as to cut the import bill. A big campaign was started to educate people in this regard. It aimed at promoting negative attitude towards pleasure trips and positive attitude towards proper driving and maintenance of vehicles.

### **6. Political Factors**

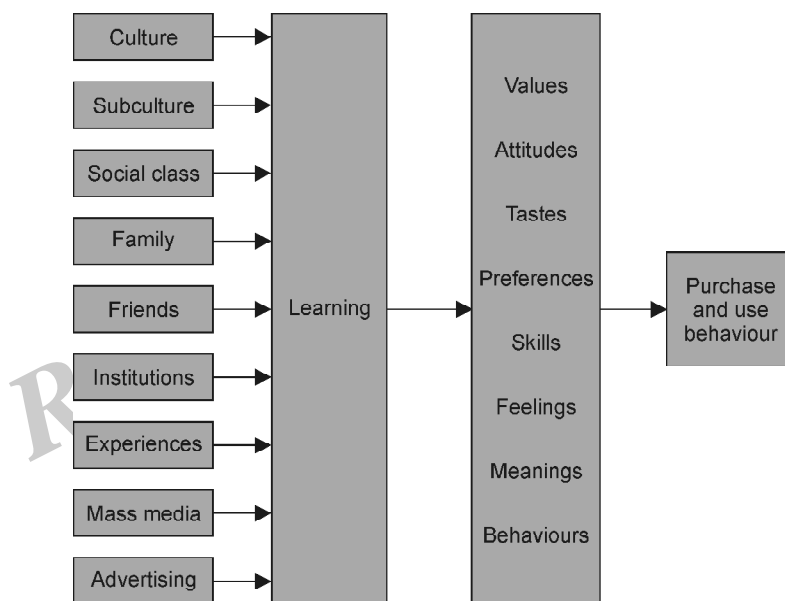
Politics plays a crucial role in the administration of a country. Therefore, political factors such as ideologies of the political parties, political stability and the behavior of the political leaders greatly affect the attitudes of the people.

### 3.6 CONSUMER LEARNING

#### Introduction

Learning is the term used to describe the processes by which memory and behaviour are changed as a result of conscious and non-conscious information processing.

Learning is essential to the consumption process. In fact, consumer behaviour is largely learned behaviours. As illustrated in Figure below, people acquire most of their attitudes, values, tastes, behaviours, preferences, symbolic meanings, and feelings through learning. Culture and social class, through such institutions as schools and religious organisations, as well as family, friends, mass media, and advertising, provide learning experiences that greatly influence the type of life-style people seek and the products they consumer.



**Fig.: Learning is a Key to Consumer Behaviour**

A wide array of social organisations attempt to help consumers learn “appropriate” attitudes and behaviours about issues such as racial discrimination, environmental protection, proper nutrition, drinking and driving, and date rape. Marketers expend considerable effort to ensure that consumers learn of the existence and nature of their products. Firms that help consumers learn about their products in an efficient manner often obtain a long-term competitive advantage.

Learning is any change in the content or organisation of long-term memory or behaviour.

### **Learning Under Conditions of High and Low Involvement**

A moment's reflection will reveal that people learn things in different ways. Preparing for an exam generally involves intense, focused attention. The outcome of these efforts is rewarded with a grade. However, most learning is of a much different nature.

As just described, learning may occur in either a high-involvement or a low-involvement situation. A high-involvement learning situation is one in which the consumer is motivated to process or learn the material. For example, an individual reading Laptop Buyer's Guide prior to purchasing a computer is probably highly motivated to learn relevant material dealing with the various computer brands. A low-involvement learning situation is one in which the consumer has little or no motivation to process or learn the material.

### **Elements of Consumer Learning**

Element of learning consists of motives, cues, response, and reinforcement.

#### **1. Motives**

Motives arouse individuals' readiness to respond. Buying motives determine two things: what consumers want to do, and how much they want to do it. Motives may be difficult to identify but, basically, they have a pretty simple makeup. Motives have two key properties: direction and intensity. To market successfully, purchase motives first have to be directed towards, your goods. Second, the drive has to be strong enough so that people will act on it; they have to be willing to pay the price in terms of rupees, time, and effort.

#### **2. Cues**

A weak stimulus not strong enough to arouse consumers, but capable of providing direction to motivated activity. These are the stimuli that give direction to these motives. They suggest a specific way to satisfy a salient motive. Even the layout, the size, sign, displays, lighting, ambience and temperature, are some cues that effect consumers' affect and cognition and their behaviour.

#### **3. Response**

A mental or physical activity the consumer makes in reaction to a stimulus situation. That is how individuals react to a drive or cue.

#### 4. Reinforcement

Reinforcement is a reward given to respondent for their response. There can be positive reinforcement wherein he is rewarded for say a purchase of product. For instance a customer see an advertisement of Moov brand, which shows that it would cure the backache and that is cured next time whenever he would have pain he would buy the Moov.

#### Importance of Learning

1. Learning theory applies to many consumer phenomena, ranging from the creation of a distinctive brand image to the perceived linkage between a product and an underlying need. Some basic concepts of learning theory long studied by psychologists have direct relevance to the field of consumer behaviour.
2. Learning is an unconscious activity; consumers don't usually even know when it is happening. It is impossible for consumers to learn all the products in the market. Consumers are interested in learning about the products they plan to purchase, and their interest extends from the product to the outlet, the manufacturer, and the possible reactions of associates who are expected to see the item in use. Without learning something about the product to be purchased, it is difficult to make an intelligent purchase decision.
3. Learning plays an important role in consumers' purchase decision-making processes. It would be time-consuming and require vast amounts of mental energy if each and every purchase were a "new" purchase, and if prior experience and learning could not serve as a buying guide.
4. Understanding how consumers learn is very important to marketers. In marketing, all learning designed to provide the learner with a means of making more effective buying decisions with the smallest possible effort.

#### Consumer Learning Theories.

Consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behaviour.

While some learning is intentional, much learning appears to be unintentional

Two Divergent Theories of Learning

- A. Behavioural theories
- B. Cognitive theories.

### A. Behavioural Theories

Behavioural theories are also known as stimulus-response theories because they are based on the premise that learning takes place as the result of observable responses to external stimuli.

- (i) Classical
- (ii) Instrumental.

#### (i) Classical Conditioning

According to Pavlovian theory (Ivan Pavlov - Russian physiologist) conditioned learning results when a stimulus that is paired with another stimulus that elicits a known response serves to produce with same response when used alone.

Pavlov demonstrated what he meant by conditioned learning in his studies with dogs.

The dogs were hungry and were highly motivated to eat. In his experiments Pavlov sounded a bell and then immediately applied meat, paste to the dogs' tongues which caused them to salivate. Learning i.e., Conditioning occurred when, after a sufficient number of repetitions of the bell sound followed immediately by the food, the bell alone caused the dogs to salivate.

The bell had been learned to be an indicator of the food. The dogs associated the conditioned stimulus (bell) with the unconditioned stimulus (the meat paste) and made the same response (salvation) to the conditioned stimulus, alone, which was learned through repeated pairings of the two stimuli.

#### Aspects of Classical Theory

Three basic concepts derive from conditioned learning -

- (a) Repetition
- (b) Stimulus Generalisation
- (c) Stimulus discrimination.

**(a) Repetition :** Just as dogs will learn to salivate at the sound of a bell after repeated trials, so too will consumers learn a message that a marketer wants to impart repeated exposure to the same message through advertising.

Three-hit theory; according to this theory the optimum number of exposures to an advertisement is just three - (1) one to make consumers aware of the product, (2) second to show consumers the relevance of the product, and (3) third to remind them of its benefits. All other ad repetitions are wasted effort. Other suggest that an average frequency of 11 to 12 exposures.



(b) **Stimulus Generalisation** : According to classical conditioning theorist, learning depends not only on repetition, but also on the ability of individuals to generalise. An important marketing strategy that works on the principles of stimulus generalisation is brand extensions.

(c) **Stimulus discrimination** : It is the opposite of stimulus generalisation and results in the selection of specific stimulus from among similar stimuli. It is the basis of positioning strategy.

Imitators want consumers to generalise their experience, but market leaders want stimulus discrimination by customers.

## (ii) **Instrumental Conditioning**

According to American psychologist B.F. Skinner most individual learning occurs in a controlled environment in which individuals are rewarded for choosing an appropriate behaviour.

Thus instrumental learning theorists believe that learning occurs through a trial-and-error process, with habits formed as a result of rewards received for certain responses or behaviours.

In consumer behaviour terms instrumental conditioning suggest that consumers learn by means of trial-and-error process in which some purchase behaviours result in more favourable outcomes (rewards) than other purchase behaviours.

**Positive and Negative Reinforcement** : Skinner distinguished two types of reinforcement. Positive reinforcement consists of events that strengthen the likelihood of a specific response. Using a shampoo that leaves your hair feeling silky and clean is likely to result in repetition of the shampoo purchase. Negative reinforcement is an unpleasant or negative outcome that also serves to encourage a specific behaviour. (fear appeals in ads – LIC, credit card)

**Massed or Distributed Learning** : Should a learning be spread out over a period of time (distributed) or should

It be “bunched” at all once (massed).

Massed advertising produces more initial learning (e.g., new brand introduction) while dispersed schedule usually results in learning that persists longer. However, when the goal is long-lasting, repeat buying on a regular basis, a distributed schedule is preferable.

## B. Cognitive Learning Theory

Learning based on mental activity is known as cognitive learning. Cognitive learning theory states that the kind of learning most characteristics of human beings is problem solving.

Unlike behavioral learning theory, cognitive theory holds that learning involves complex mental processing of information.

### 1. Information Processing

Proponents of cognitive theory of learning view the human mind as an information processing system. The human mind processes the information it receives from the environment. It controls the behavior of the individual like walking, talking, eating, sleeping, and so on. If we consider the human mind as a computer, then the brain can be considered as the hardware, and the mind as software. The processing ability of the human mind depends on the cognitive factors and the complex nature of information involved. Consumers process information regarding the products and brands based on the respective features and attributes. Those who have higher processing capabilities seek more information on products and services and are able to select the best ones compared to those whose cognitive capabilities are lower. Apart from differing levels of information processing capabilities, people also differ in their ability to register images in their minds and process them. This ability in turn influences their capacity to recollect information regarding images of products and services whenever required.

### Functions of Memory

- (i) **Sensory store** - all data comes to us through our senses; however, the image of a sensory input lasts for just a second or less in the mind's sensory store (after-image).
- (ii) **Short-term store** - in short-term store information is processed and held for just a brief period. Information in the short-term store undergoes rehearsal and then is transferred to the long-term store.
- (iii) **Long-term store** - the long term store retains information for relatively extended periods of time. It is not like a bank. Because information does not just sit there waiting to be retrieved. It is constantly being organized and reorganized as new links between chunks of information are forged.

### Structure of Memory

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### Memory Process

- (i) **Rehearsal** - is the silent, mental repetition of material. How much information is available for delivery from short-term store to the long-term store depends on the amount of rehearsal an individual gives to it. Failing to rehearse an input can cause fading and eventual loss of the information or because of competition for attention. Marketers must be certain that the information they want to convey to consumers is simple enough to be absorbed without much loss.
- (ii) **Encoding** : Encoding is the process by which we select and assign a word or visual image to represent a perceived object. Learning a picture takes less time than learning verbal information. Men and women exhibit different encoding patterns. Also chunking is used. When there is information overload there will be difficulty in encoding and storing resulting in confusion.
- (iii) **Storage** : Storage is the process by which we organise and recognise the information in the long-term memory received from short-term store.  
  
Episodic process-information is Organised episodically i.e., By the other which it is acquired.  
  
Semantics process-information is stored semantically i.e., According to significant concepts.
- (iv) **Retrieval** : Retrieval is the process by which we recover information from the long-term store. Information processing theorists look on forgetting as a failure of the retrieval system.

## 2. Involvement Theory

Involvement theory is an evolving of consumer research which suggests that people engage in limited information processing situations of low importance or relevant to them and in extensive information processing in situations of high relevance.

Involvement theory is based on Hemispherical Laterization, right-left brain information processing, split-brain theory and other related theories. All these theories are heuristic in nature; that is they provide explanation, but are not confirmed by empirical evidence.

### Hemispherical Lateralization

Involvement theory developed from a stream of research called Hemispherical lateralization or split-brain theory. The basic premise of split-brain theory is that the right and the left hemispheres of the brain specialise in the kinds of information they process. The left hemisphere is primarily responsible for cognitive activities such as reading, speaking etc.,

Unlike the left hemisphere the right hemisphere is concerned with non verbal and holistic information. Put another way the left side of the brain is supposed to be rational, active, realistic and the right side is emotional, impulsive and intuitive.

### High and Low Involvement Media

Hence as per the above theory TV viewing can be considered a right brain activity and TV itself as a low involvement media. Therefore, print media are high involvement media because information is processed in the complex sequence of cognitive stage.

There are limitations to the application of split-brain theory to media strategy. Research suggests that the right and left hemispheres of the brain do not operate independently of each other, but work together to process information.

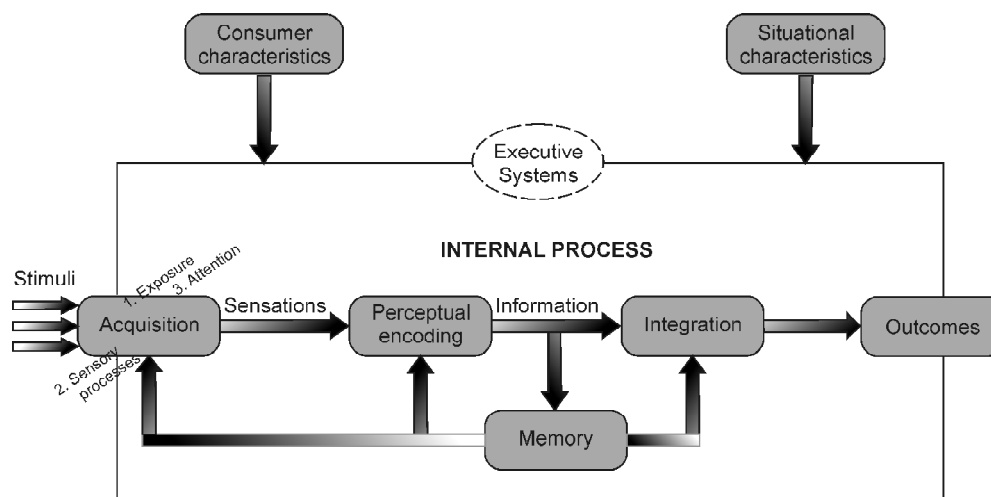
## 3.7 INFORMATION PROCESSING

It is often helpful to view consumers as problem solvers who use information in an attempt to satisfy their consumption goals. From this perspective, consumer information processing may be thought of as the acquisition of stimulus inputs, the manipulation of these inputs to derive meaning from them, and the use of this information to think about products or services. More specifically, five of the major ways in which consumers use information derived from their environment are :

1. To understand and evaluate products and services.
2. To attempt to justify previous product choices.

3. To resolve the conflict between buying or postponing purchases.
4. To satisfy a need for being informed about products and services in the marketplace.
5. To serve as a reminder to purchase products that must be regularly replenished (soap, beverages, and the like).

It is important to realize that, as its definition implies, information processing is not end result of an activity, but the actual process itself that consumers engage in when dealing with their environment. Figure below shows the basic components of information processing and will serve as a framework for our overview.



**Figure : An information-processing framework.**

It should be noted that this model is more descriptive of processing activities that consumers engage in under conditions of high involvement, particularly with regard to stimulus-acquisition activities.

The basic components shown in figure can be arranged into four groupings:

- (1) stimuli which serve as the raw material to be processed
- (2) the stages of processing activities which are linked by arrows and are mainly internal to the consumer

- (3) situational and consumer characteristics which can influence the nature of these processing activities
- (4) an executive system which guides the process by regulating the type and intensity of processing activities engaged in at any time.

A major of information processing is to deal effectively with the environment. Therefore, outcomes of information-processing activities are likely to affect evaluation, attitudes, and, even eventually, observable behavior. Information that has been integrated involves attitudes when the consumer's beliefs or feelings about a particular object (brand, product, purchasing action, and so on) are developed or changed. These attitudes can be held by the consumer to influence later actions toward the object.

Information processing is strongly influenced by consumer characteristics. For example, previous attitudes can effect how the consumer will evaluate a particular brand, and the evaluation process can in turn result in attitude change or development of new brand attitudes. Other consumer characteristics exerting a major influence on information processing are the consumer's motives and involvement, personality attributes, and learning. Situational characteristics can also play a role.

Information-processing activities do not act independently of each other. Rather, each activity needs to be coordinated with others so that intelligible meaning can be derived from stimuli. The executive system is the mechanism that coordinates various information-processing activities. It also serves as a command center that directs attention and organizes processing energies toward those stimuli that are potentially more relevant to the consumer's goals.

### 3.7.1 Information Acquisition

The term information acquisition describes the set of activities or means by which consumers are exposed to various environmental stimuli and begin to process them. As mentioned in the overview, exposure occurs in two major ways: when consumers are motivated to actively seek information and when they passively receive these stimuli that are confronted in daily activities of the active search processes first.

#### 1. Active Search

Consumers often actively seek and selectively acquire information that has potential usefulness for achieving their consumption goals. The first stage in this process appears to be internal search, because of the relative ease with which it can be accomplished compared to external search. Internal search involves scanning memory for stored information that is relevant to the purchase situation under consideration.

This available information has been previously acquired from passive reception experiences as well as through active external searches. Consequently, it can include information derived from advertising claims, personal experiences, product test reports, previous solutions to similar purchase problems, and interactions with other consumers.

Internal search will tend to be rather deliberate and comprehensive when the consumer views a situation as important, when the purchase decision is a difficult one, and when the amount of information in memory is considerable or complex. In other cases, such as during the regular replenishment of one's usual brand of bath soap, the memory scan may be so automatic that it never even reaches conscious awareness.

2. Passive Reception

The preceding section focused on active search, which consumers use when deliberately seeking information relevant to a consumption goal or special interest. As mentioned earlier, the passive reception process is another means of information acquisition. In this mode, consumers confront and acquire information in the process of living their daily lives.

3. Sensation

The exposure mechanisms of active search and passive reception produce many more stimuli than the consumer is capable of processing. Two of the gate-keeping mechanisms that reduce this "blooming confusion" to more manageable proportions involve consumers' physiological limitations: awareness thresholds and differential thresholds.

4. **Attention**

A research study conducted some time ago suggested that the average American adult is aware of seeing less than 100 major media advertisements per day. However, the daily advertising exposure rate for a typical consumer has been estimated to range as high as 3000 or more. This suggests that although exposure and sensory processes both selectively filter stimuli for information processing, additional points of selectivity must also exist. One such filtering mechanism is attention, which can be viewed as the allocation of processing capacity of stimuli. That is, attention regulates the amount of additional processing that a stimulus will receive. Generally, the more processing capacity that is devoted to a stimulus, the greater will be the consumer's awareness and comprehension of it.

### 3.7.2 Perceptual Encoding

Because sensations generated by stimuli are only a series of electrical impulses, they must be transformed into a type of language that is understandable to the consumer. This is accomplished by perceptual encoding, which is the process of assigning mental symbols to sensations. These symbols can be words, numbers, pictorial images, or other representations that consumers use to interpret or assign meaning to their sensations. They are also used to remember stimuli and do any subsequent thinking about them.

The manner in which stimuli are encoded will be influenced by a number of factors including the individual's ability to process the sensations, his motivation to process them, and the opportunity (adequate time, etc.) to process them. Thus we see that perceptual encoding is a highly individualized process that is used to derive personal meaning from stimulus is a highly individualized process that is used to derive personal meaning from stimulus experiences. Any sections or subsequent thoughts will be based on interpretations derived from stimuli rather than on the actual stimuli themselves.

#### Stages in the Encoding Process

Two major activities involved in encoding appear to be feature analysis and a synthesis stage. In feature analysis, the consumer identifies main stimulus features and assesses how they are organized. In the synthesis stage, organized stimulus elements are combined with other information available in the environment and in memory to develop an interpretation of the stimulus.

First they would assess the basic size, shape, color, and other prominent features of the vehicle. These characteristics would then be organized into a unified whole and appreciated as a type of motorized vehicle rather than as separate components of glass, steel, rubber, and so on.

However, even in the unlikely event that all consumers develop the same unified whole during the feature analysis stage, each would interpret it differently depending on his or her individual experiences. In fact, it can be said that there are three major influences on the synthesis stage:

- (1) stimulus features
- (2) contextual influences
- (3) memory factor



### Factors Influences on Encoding

A wide variety of factors influence the encoding process. Although some were briefly mentioned above, it is useful to give more detailed treatment to several major influences. The first group of influences factors is more relevant to feature-analysis activities, while the second group has its primary influences on the synthesis stage.

#### 1. Factors Influencing Feature Analysis

Much of feature analysis involves mentally arranging sensations into a coherent pattern which is often called a gestalt (pronounced guh- shtalt'). In fact, this process has been the prime interest of gestalt psychologists, and much of this section is based on their work. Although visual examples are primarily used here, many of the principles can also be applied to other stimuli.

- (i) **Figure-Ground** This is one of the most basic and automatic organizational processes perceives impose on their world. Two properties of this innate perceptual tendency are (1) the figure appears to stand out as being in front of the more distant background and (2) the figure is perceived to have form and to be more substantial than the ground.
- (ii) **Proximity** In this organisation process, items close to each other in time or space tend to be perceived as being related, while separated items are viewed as being different. The uses of proximity in promotions are many.
- (iii) **Similarity** Assuming that no other influence is present, items that are perceived as being similar to one another will tend to be grouped together. This, in turn, can influence the pattern one perceives in a conglomeration of items.
- (iv) **Closure** Frequently, consumers organize incomplete stimuli perceiving them as complete figures. In other words, a figure such as an opened circle, would tend to be filled in by the individual to result in perception of a whole.

Research suggests that under certain conditions this tendency toward closure can be an effective advertising device, because it motivates consumers to mentally complete the message. This can focus attention and facilitate learning and retention.

## 2. Factors Influencing Synthesis Stage

Many additional factors influence how consumers develop meanings from stimuli that have undergone feature analysis. The major effect of these influences is to predispose the individual toward interpreting stimuli in a certain way. Five major categories of influences are learning, personality, motivation, attitude, and adaptation levels.

- (i) **Learning.** Learning influences consumers to categorize stimuli by developing their abilities to identify attributes used in discrimination and leveling. In discrimination, consumers learn those attributes useful in distinguishing between items in order to categorize them differently.
- (ii) **Personality and Motivation.** Consumers personality characteristics also influence the meaning they derive from stimuli. To illustrate, one study found that individuals who find it difficult to tolerate uncertain situations tend to be influenced by seals of approval such as those of Good Housekeeping or Underwriters Laboratory, to a greater degree than do other consumers.
- (iii) **Attitudes.** For our present purpose, consumers' attitudes may be thought of as predispositions to understand and respond to objects and events in consistent ways. That is, attitudes act as frames of reference which affect consumers' tendencies to interpret stimuli from the environment. These references are influenced by the consumers' values and beliefs that have developed from previous processing experiences.
- (iv) **Adaptation Level.** Our discussion of selective attention noted that consumers tend to adopt rather constant stimulus levels. This process leads to the information of adaptation levels, which are standards of reference used to judge new stimulus situations.

### 3.7.3 Marketing Implications in Information Processing

#### 1. Product Factors

The relevance of information processing to consumers' product evaluations has already been mentioned in this chapter. We would expect that product evaluations are at least in part based on consumers' attempts to directly evaluate physical product attributes, often called intrinsic cues, such as size, shape, and grade of ingredients. However, evidence suggests that, for many goods, buyers have difficulty in distinguishing between different offerings on the basis of such direct product attributes.

## **2. Price Consideration**

Traditional micro-economic theory has apparently influenced many marketers to assume that consumers use price only as an indicator of product cost.

## **3. Company and Store Image**

Astute marketers have long realized that, in addition to brand image, their company's image can strongly influence consumers' behaviour toward their enterprise and its products. A company's image is the perception consumers have of its character as a result of their experiences with it and their knowledge of and beliefs about it.

## **4. Advertising Issues**

Applications of information processing to advertising have been cited throughout the chapter. However, two other areas that draw considerable attention are the use of sex in advertising and the controversy over subliminal advertising.

Rahul Publications

## UNIT IV

**Consumer Decision Making Processes:** Problem Recognition, Search and Evaluation, Purchasing processes, Post purchase behaviour, Models of Consumer decision making, Consumers and the diffusion of Innovations.

### 4.1 CONSUMER DECISION MAKING PROCESSES

#### Introduction

A decision is defined as choosing an option of the few/many available. Decision making is the process of choosing between two or more alternatives; It is the selection of an alternative out of the few/many choices that are available.

Decision making is:

- a) a goal oriented process.
- b) it is a problem solving process: helps take advantage of opportunities and fight threats.

#### Types of Decision Making

Decisions Making can be of two types

- a) Programmed decision making
- b) Non-programmed decision making.

#### a) Programmed decision making

This is applied for problems that are routine and regular. Such problems are simple to deal with and guidelines to sort out such problems exist. Such decisions are made without much thought. With respect to marketing, these are decisions related to day to day purchases or convenience and shopping goods; these are generally low involvement purchases. They may also be habitual in nature, and brand loyalty could easily develop. Examples: Purchases made for staples, toiletries etc.

**b) Non-programmed decision making**

This is applied for problems that arise suddenly and are unique or novel. As the problem is sudden and novel, it is complex and requires a lot of information gathering, deliberation and thought. With respect to marketing, these are decisions related to infrequent purchases or specialty goods and emergency goods; these are high involvement purchases.

**Examples:** Purchases made for laptops, real estate etc.

**Stages in Consumer Decision Making Process**

There are five stages in the consumer decision making process. Those are

1. Need recognition/Problem recognition
2. Pre-purchase information search
3. Evaluation of alternatives
4. Purchase decision
5. Post-purchase outcome and reactions

**An example of Consumer Buying Decision Process**

Nothing like a real example to better understand the five stages of the Consumer Buying Decision Process. Maybe this situation sounds familiar to you.

**Stage 1 – Need recognition**

It's Sunday night. You're hungry (internal physiological stimuli) and there is nothing in the fridge. You will order food (statement of need).

**Stage 2 – Information search**

You already have ordered to the Indian restaurant in your street last month (internal information). A friend recommended a pizzeria in your neighbourhood (external information from environment). And this morning you've found a flyer for a sushi restaurant in your mailbox (external information from advertising).

**Stage 3 – Alternative evaluation**

You have a bad opinion of the Indian restaurant since you've been sick the last time (inert set). The pizzeria is both recommended by your friend and also happens to be a well-known brand (positive perception – evoked set). As for the sushi restaurant, it got good reviews on Tripadvisor (positive perception – evoked set).

**Stage 4 – Purchase decision**

After evaluating the possibilities, you've decided to choose the well-known pizza delivery chain. In addition, a new episode of your favorite TV show is broadcasted tonight on TV.

**Stage 5 – Post-purchase behavior**

The pizza was good (positive review). But you know there was too many calories and you regret a little bit (mixed feelings about yourself). The next time you will choose the sushi restaurant. There is less fat in sushi than pizza (next purchase behavior)

**4.1.1 Problem Recognition**

Problem recognition is the first stage in the consumer decision process and occurs whenever the consumer perceives a difference of sufficient magnitude between what is perceived as the desired state of affairs and what is the current state of affairs, enough to arouse and activate the decision process to achieve the desired or ideal state. The current state is the way a consumer perceives her/his feelings and situation to be at the present time and the desired state refers to the way a consumer wants to feel or be at the present time.

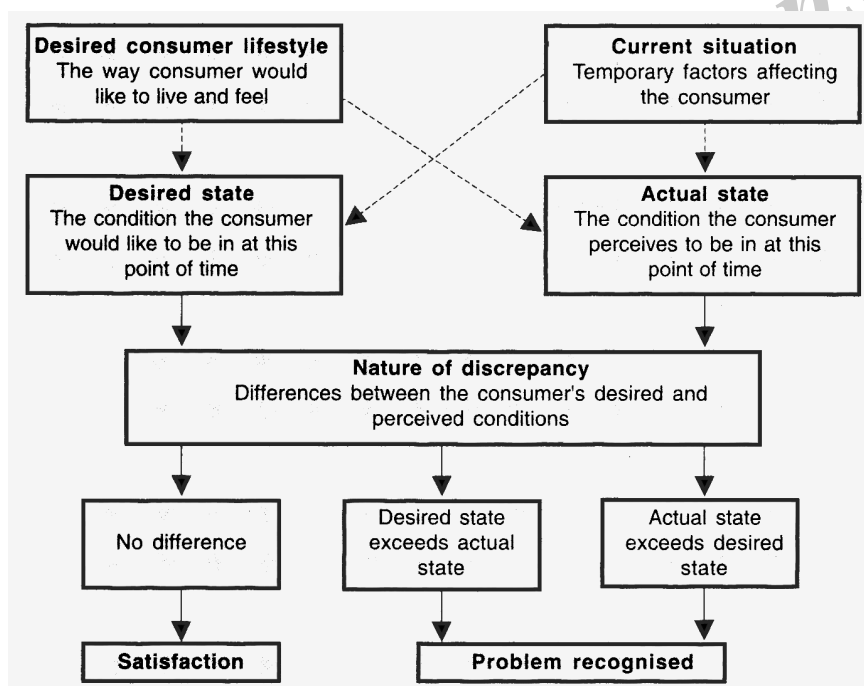
Marketers develop products and services to help consumers solve problems. They also attempt to help consumers anticipate and recognise problems, sometimes well in advance of their occurrence.

Rarely there is a day when we do not face multiple problems, which individuals resolve by consuming products or services. We commonly face problems such as the need to replenish items of everyday consumption.

For example, the consumer who runs out of milk or cooking oil has a clear definition of the problem. Such problems are quickly recognised, defined and resolved. As another example of a routine problem, we can think of an individual who notices that the fuel meter of her/his auto is indicating a very low level of fuel and goes to the first petrol pump on her/his way and gets the petrol filled. An unplanned problem occurs when, for example the refrigerator or some other major appliance breaks down. This problem, too, is easily recognised, but is often more difficult to resolve. Recognition of a problem such as the need for a notebook computer may take much longer as it may evolve slowly over time.

Consumers sometimes, feel lonely and experience boredom or anxiety and such feelings are often recognised as problems, where consumers try to resolve by purchasing behaviour (I am bored to death, I think I will go to a movie). At other times, a consumer may feel "restless" and not being able to consciously recognise the problem, may try some inappropriate solutions such as viewing a TV programme, reading a magazine, or eating snack food.

Yet another example of having recognised the problem but not having a clear definition of it can be of a person who feels that her/his expression of desired image is not quite right and yet is unable to define exactly what is wrong. In such situations, information search may be more rigorous to more clearly identify the problem. Some of these cases of problem recognition and definition may often be complex, time-consuming and make consumers uneasy or anxious.



**Fig.: The Problem Recognition Process**

The process of problem recognition combines some highly relevant consumer behaviour concepts such as information processing and the motivation process. First of all, consumers must become aware of the problem through information processing

arising as a result of internal or external stimuli. This leads to motivating consumers; they are aroused and activated to engage in some goal directed activity (purchase decision-making). This kind of action in response to recognising problems and finding solutions to problems depends on the magnitude of the discrepancy between the current state and the desired or ideal state and secondly, the importance of the problem for the concerned consumer.

For example, a consumer may desire to own a new house in a locality where most of his friends live with the same number of rooms and, total floor area as the present one. A discrepancy must exist between the consumer's current state and the desired state but it is not likely to be large enough to motivate him to proceed further in the decision-making process.

Furthermore, the importance of the problem may be such that the consumer may not be motivated towards decision-process behaviour any further. It is also possible that the importance of this particular problem may be low compared to some other consumption needs the consumer is facing such as food, clothing, auto, or his daughter's marriage. Thus, consumers confronting time and/or budget constraints are likely to solve only the most important problems in order of priority.

Without perception of a problem by the consumer, there is no recognition of an existing problem and hence there is actually no need to engage in the process of decision-making. Since the consumer does not perceive any discrepancy between her/his current state and the desired state, the current state for the concerned consumer is apparently quite satisfactory and does not need decision-making.

Any time the desired state is perceived as being greater than or less than the actual state, a problem exists. For example, the situation of a consumer happily engrossed in reading a novel (desired state) would generally exceed being bored (actual state) and result in problem recognition. However, if a group of friends suddenly show up for a surprise party, the consumer finds herself/himself with more stimulation (actual state) than the medium level the consumer actually desires and would result in problem recognition. It is important to appreciate that it is actually the consumer's perception of the actual state that stimulates problem recognition and not "objective" reality. Also, the relative importance is a critical concept in several purchase decisions because almost all consumers have budget or time constraints.



**Types of Consumer Problems and Their Recognition**

The problems of which consumers are aware or will become aware shortly are referred as active problems and the ones about which consumers are not at all aware are called inactive problems. It is similar to being aware of a need and having latent needs about which there is no awareness. It is useful to appreciate that there may be several types of problem-recognition processes. Del I. Hawkins, Kenneth A. Coney and Roger J. Best (Consumer Behaviour, 1980) have discussed one such approach. They developed a classification system of situations based on the factors of immediacy of required solution and whether or not the problem was expected.

Expectancy of problem	Immediacy of solution	
	Immediate solution required	Immediate solution not required
Occurrence of problem expected	Routine	Planning
Occurrence of problem unexpected	Emergency	Evolving

**Fig.: Types of Problem Recognition**

In the above matrix, four types of problem are shown; routine, emergency, planning and evolving situations. Immediacy of problem solution is a relevant aspect in determining how soon a solution to the problem is needed and this will influence the length of time involved in decision-making and intensity of decision effort. Problem expectation can influence such aspects as the use of information sources and the number of alternatives considered and evaluated. Obviously, the importance of the problem will be a significant factor that will affect decisions within each category and the use of different decision process strategies.

Routine problems are those where the difference between actual and desired states is expected to be felt and would call for immediate solution. For instance, convenience goods of everyday use are associated with this category of problem recognition. Both routine and emergency problems stimulate purchases of goods and services with a minimum time lag between purchase and actual consumption.

Unexpected emergency problems arise, which need immediate solutions. For example, say a consumer meets an accident while on his/her way to office, gets injured

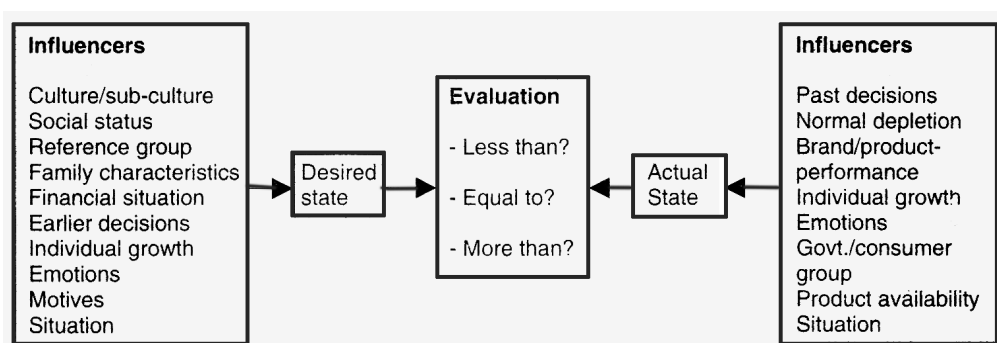
and the vehicle is badly damaged. In such an emergency, she/he needs a quick solution to reach hospital's emergency room. Subsequently, she/he may plan to get the vehicle repaired or buy a new one.

Planning problem occurs when a problem is expected in the future but an immediate solution is not called for. For example, say a consumer has been using a vehicle for the last ten years and to comply with the forthcoming pollution norms expects that in six to eight months time she/he will have to buy a new vehicle. This consumer will begin discussions with friends about various available brands, pay closer attention to auto ads and may even read reviews in auto magazines such as Auto India and Overdrive etc.

Consumers' planning problems may sometimes lead to a pre-need purchase, that is, buying in anticipation of future use or sometimes even postponing the purchase. This may lead to more complicated and difficult purchasing problems later, or even inability to purchase. For example, certain insurance policies are not available to consumers after a certain age, or if a consumer is diagnosed with terminal cancer, an insurance policy cannot be bought.

### Situations that can Possibly Cause Problem Recognition

There are quite a large number of situations that can create a discrepancy that influence consumer desires, perceptions of the existing state, or both. These include non-marketing factors and marketer initiated activities that can trigger the process of a consumer's problem recognition.



**Figure : Non-marketing factors influencing Problem Recognition**

The five of the most common situations are :

1. Depletion of stocks
2. Dissatisfaction with goods in stock
3. Environmental changes
4. Change in financial situation
5. Marketer initiated activities.

**1. Depletion of Stocks**

Consumers use or consume certain types of goods everyday on an ongoing basis such as groceries, toiletries and other convenience goods. No sooner an item has nearly run out, the consumer almost reflexively recognises the problem and must repurchase in order to continue fulfilling her/his need for the item. As long as the basic need for the item remains, problem recognition will keep on recurring as a result of its consumption.

**2. Dissatisfaction with Goods in Stock**

Consumers frequently feel dissatisfied with products they own. For example, a consumer may be having chiffon saris, which are no longer in fashion and may be discontented and may desire to buy the ones currently in style. A family living in a small flat may feel that they need a larger accommodation. A student might recognise the problem that her/his computer is too slow compared to more recent introductions.

**3. Environmental Changes**

A family's changing characteristics are among the most significant situations and cause recognition of problems (different life cycle stages stimulate needs for different types of products). Similarly, reference group influences can also cause problem recognition.

**4. Change in Financial Situation**

Any change in financial status almost always has an important relationship to problem recognition. Salary increase, promotion, bonuses and inheritances etc. generally trigger spending on non-routine purchases. For example, after a promotion, the consumer may recognise that her/his auto is not reflective of her/his present status and may buy a more expensive vehicle. On the downside, if a consumer loses her/his job, then a new set of problems will be recognised and probably all future household expenditures would be affected.

## 5. Marketer Initiated Activities

All marketers attempt to make consumers aware about their known and latent problems and convince them that they have the right solution to meet their needs. Advertising and other promotions focus on helping consumers' in perceiving a difference of sufficient intensity between their desired state (ownership of the product) and their actual state (not owning the product). Not all marketer-controlled messages succeed in this objective because of the consumers' tendency of selective exposure and selective perception.

### Approaches to Activating Problem Recognition

There are two basic approaches to activating problem recognition :

1. Generic problem recognition focuses on helping consumers feel a discrepancy that a number of brands within a product category can reduce. Generally, a marketer will use this approach when the problem is either latent or of low importance and one of the following conditions exists.
  - i) Product is in the early stage of its life cycle.
  - ii) The marketer has very high market share.
  - iii) After problem recognition, consumers' external search tends to be limited.
  - iv) It is a situation of industry-wide cooperative effort.

Several banks offering personal loans to consumers use telephone sales programmes and attempt to evoke problem recognition, in part, because the salesperson can then limit external search to one bank. We often see cooperative advertising campaigns at promoting milk or egg consumption.

An increase in generic problem recognition (Exhibit 19.6) generally leads to expansion of total market for the category. In certain cases, when a firm has the dominant market share in a product category, it may focus on generic problem recognition hoping that sales increase will probably come to their brand. However, it is also possible that a large market share firm can lose share to other marketers offering brands in the same product category if problem recognition campaign is not done carefully.

2. Selective problem recognition focuses on a discrepancy that only a particular brand can solve. Marketers use this approach to causing problem recognition in an attempt to increase or maintain market share.

It is possible that the consumer may develop a disposition to act. However, buying dispositions may not get converted into actual buying because of a change of mind, insufficiency of funds, forgetting about the intention, or non-availability of the product. Furthermore, in the process of shopping, the consumer may develop new beliefs about product availability and attributes of other alternatives. Generally, consumers are likely to fulfil those buying intentions that they view as consistent with their long-term best interests.

### **Marketing Strategy and Problem Recognition**

Marketers use a variety of approaches to determine consumers' problems. Generally, they conduct surveys or use focus groups to determine the problems consumers face. Both surveys or focus groups tend to use one of the following approaches:

#### **1. Activity Analysis**

This approach focuses on a particular activity such as cleaning the house, preparing meals, or travel by train etc. The survey or the focus group is conducted to determine what problems consumers face in the course of performing the activity.

#### **2. Product Analysis**

Product analysis focuses on examining the purchase and/ or use of a particular product, service, or brand. Respondents may be asked about problems they ' encounter while using the product, or consuming the service.

#### **3. Problem Analysis**

Problem analysis starts with a list of problems and the respondents are asked to identify which activities, products, or brands do they associate with the problems listed.

#### **4. Human Factors Research**

This type of research is quite helpful in identifying consumers' functional problems of which they are not aware. It is employed to determine the effect of lighting, temperature, sound and product design on human capabilities such as vision, fatigue, response time and flexibility etc. Such research usually makes use of observational methods such as video recording, time-lapse and slow-motion photography. For example, computer usage can influence vision adversely. Computers can also cause a physical condition resulting from repeating the same movements over time (called carpal tunnel syndrome).

## 5. Emotion Research

It is believed that emotions often have a very powerful effect on problem recognition. T Collier and others have noted that marketers use focus group research, personal interviews or projective techniques to determine consumers' emotions associated with a particular product, or products, that generate or reduce certain emotions.

Problem recognition depends on the importance and magnitude of discrepancy between the desired state and the current state. Thus, marketers can seek to influence the degree of discrepancy by altering consumers' desired state or the perceptions about the current state, or influence the perceptions about the importance of an existing discrepancy. Marketers also attempt to influence the desired state by advertising the attributes and benefits of products or services and hope that consumers will be influenced, to a degree, that they will desire these benefits.

Marketers also attempt to influence consumers' perceptions about their existing state. For instance, many ads of personal care products adopt this approach. Women do not want to use a soap that dries their skin. They desire to have fresh and smooth skin and the advertisement of Dove soap is designed to generate concern about the existing state of their skin (Exhibit 19.8). It provides the desired benefit that presumably other soaps do not. Such ad messages are designed to instigate individuals to question if the current state coincides with this desired state.

Marketers must be sure about the appropriateness of their approach as individuals and product categories both vary in their responsiveness to ads that attempt to change desired or perceived current states.

### 4.1.2 Information Search

'Before a consumer decides to go for a purchase, he generally tries to find out what are the possible options he has. The reason for searching for information before a purchase is to reduce the risk of making the wrong choice. The various possible nature of information search are explained in below.

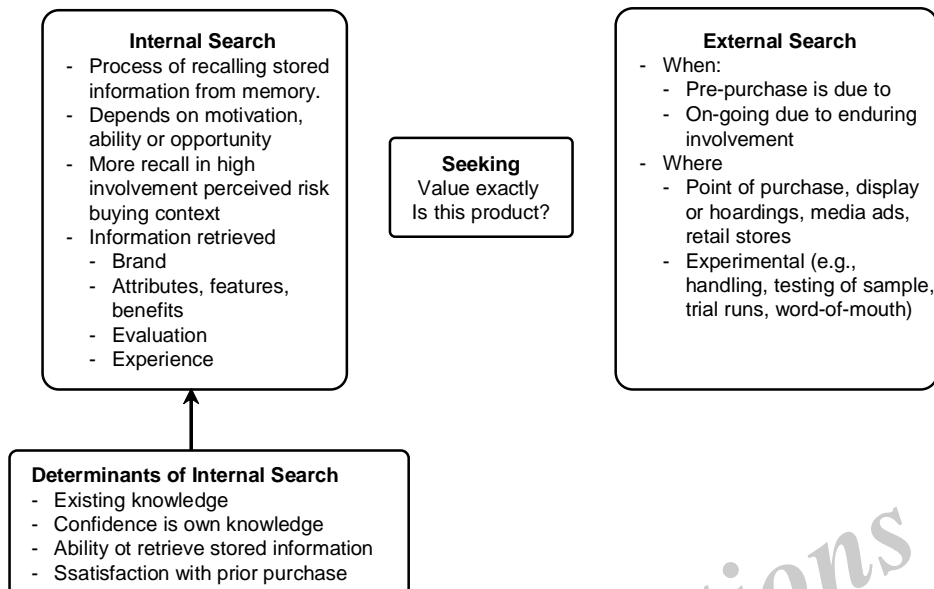


Figure : Information Search

### Types of Information Search

The modes of search could be either internal search or external search:

- **Internal search.** The consumer looks within himself to search for alternatives.
- **External search.** The consumer needs to explore various avenues of information to identify the alternatives and gather what exactly these options could deliver in the form of some distinct value.

The type of search (internal vs external) depends on a host of factors such as the following :

#### 1. Confidence level of the consumer

If the consumer is very sure that he has sufficient information about the alternatives, he will only do an internal search. When he is not very sure of these alternatives, he generally goes for external search. For example, buying a FMCG vs pharmaceutical products.

#### 2. Frequency of purchase

When the consumer purchases a product very frequently, he is likely to have a feeling of confidence and knowledge about possible alternatives, prompting him to do an internal search. However, when the product is an occasional purchase, he may collect more information. Example: Buying a soap vs. buying a car.

### 3. Rate of product changes

If a product does not change much over a period of time, and the market is not very competitive, then the consumer will only need an internal search whereas, in contrast, where the market is very dynamic in the sense new products being introduced, modified and discontinued all the while, he will make an extensive search for the latest information. Example: Buying a tubelight vs. buying a computer.

### 4. Risk

If a product does not carry high risk, the consumer will not spend much time on searching for information, whereas he will do so if the risk involved is higher. Example: Buying a shoe polish vs. buying a suit.

### 5. Price

The higher the price or the prestige involved, more external search or information is collected. Relatively lower priced or less prestigious buying requires less intensity of search. Example: Buying a water filter vis-a-vis an air-conditioner.

### Sources of information

The sources of information can be quite diverse (see Exhibit 10.5). While the internal source of information comes from past experiences and expertise in the product purchase and details, the external sources include friends, colleagues, peer groups, family, mass or social media, like television or the Internet. Generally, some of the sources of information can be more credible and more persuasive than the others.

	In Store	Out of Store
Personal	Sales personnel	Family and friends, colleagues, experts, opinion leaders
Impersonal	Product labels Store signage, Point of purchase display	Internet websites, Catalogues, magazines, Newspapers, television And radio

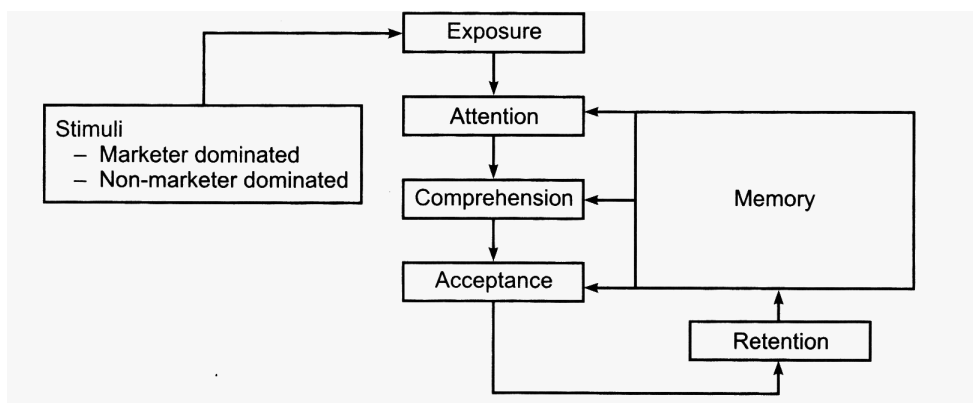
Figure : Sources of Information



Nowadays, the consumers' source of information is not confined to advertisements and retail stores. Sometimes, consumers search information from modern or social media like the Internet on which marketers have little control. As the consumer is exposed to information, he begins to process the stimuli.

### Stages of Information Processing

The various stages of information processing are depicted in figure below.



**Figure : Various Stages of Information Processing**

1. **Exposure.** First, information and persuasive communication must reach the target consumer. Once exposure occurs, one or more of the senses are activated and the preliminary processing begins.
2. **Attention.** After the exposure, the next step is to allocate information processing capacity to the incoming information. The more relevant the message and its content, the more likely the consumer will pay attention.
3. **Comprehension.** If attention is attracted, the message is analyzed against meaning stored in the memory. The marketer hopes that the comprehension will be good and proper.
4. **Acceptance.** The message can be either rejected or accepted. The ultimate goal of the message is to modify existing beliefs and attitudes. There is a good chance of at least some change of perception if there is acceptance within the system of the consumer.
5. **Retention.** Finally, the goal is that this information should be stored in the memory in such a way that it is retrievable in the future.

Attention, followed by selective retention by the consumer, leads to an awareness set of brands from the total number of similar types of brands available. For diverse reasons, consumers may avoid some of the most referred brands; rest of the brands form the evoked set. Finally, one brand is selected for purchased.

### **Sources of the Information for Purchase Decision Making**

The consumer usually gather the information for purchase decision making through the following five sources,

1. **Long-term Existence** : This is one of the sources for gathering information for purchase decisions. This includes earlier searches, past experiences and low-level of learning.
2. **Personal Sources** : The personal sources refer to friends, family neighbours and peer groups.
3. **Independent Sources** : The newspapers, magazines, journals, consumer reports and government agencies constitute the independent sources.
4. **Marketer Controlled Sources** : The advertisements, sales personnel etc., are referred to as market controlled sources. These sources provide the information required for making purchase decisions.
5. **Experience Sources** : Inspection of products or product trial refers to experience sources.

### **Factors Influencing External Search Behaviour**

The following are the factors that influence the external search behaviour of the consumers,

#### **1. Market Conditions**

The features of a market has a major influence on external search behaviour of the consumers. The existence of substitutes, different price ranges, distribution outlets and availability of information are some of these features. The existence of different outlets and availability of large number of substitute forces the consumers to carry out extensive external search.

Similarly, the availability of different price ranges among various brands motivates the consumers to carry out a detailed external search. The number of outlets and the distance among them also has an influence on the external search of a consumer.

## **2. Product Characteristics**

The product differences and difference in their price ranges etc have an impact on consumer's external search. A more extended external search is carried out for products with huge differences and price range differences.

## **3. Consumer Characteristics**

The consumer's view with reference to benefits, search cost and need for search also has an influence on the amount of external information search. Brand's that satisfy the consumers are more likely to be repurchased and there will be absence of external search. Whereas, consumers who make limited purchases are more sure to carry out external search.

The consumer's level of education, occupation and income are the socio-economic factors that influence the external search. More external search is done by midledclass than high-class or low-class consumers.

## **4. Situational Factors**

The situational factors also have an influence on the external search behaviour availability of less-time may result in limited external search behaviour and vice-versa. The level of physical or emotional energy also impacts the external search behaviour of the consumers. The level of external search decreases in case of special occasions and promotional offers.

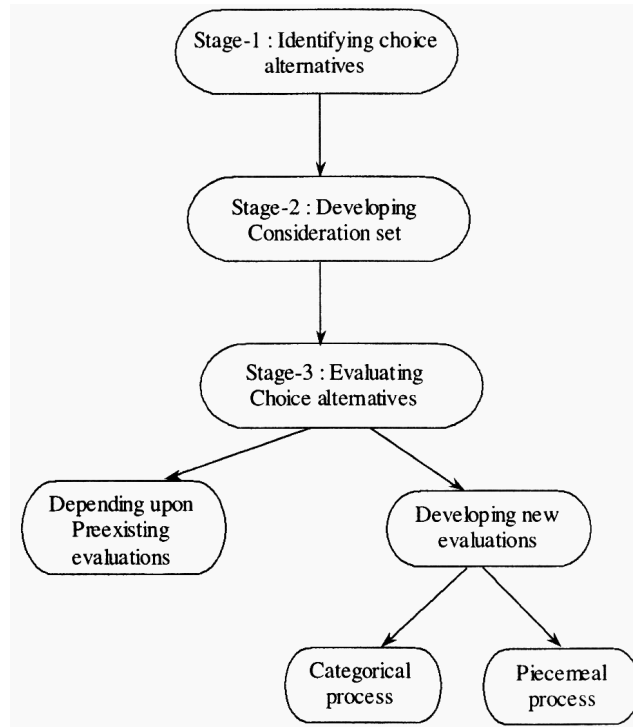
### **4.1.3 Evaluation of Alternatives**

#### **Pre-purchase Evaluation**

Before purchasing product, consumer evaluate alternative choices available in the market and this evaluation is known as 'pre-purchase evaluation'. The product purchase decision of consumer relays upon the pre-purchase evaluation.

Like the search stage of decision making in pre-purchase evaluation process various decisions are taken. Whether all the alternatives available in the market should be considered or only some alternatives should be considered? How to evaluate the alternatives which are taken into consideration?

The following figure depicts the pre-purchase evaluation process.



**Figure : Pre-purchase Evaluation Process**

### **Stage 1: Identifying Choice Alternatives**

At the time of making purchase decisions, various alternatives will be available in the market from which selection has to be made. Consumer might not take into consideration all the alternatives available in the market. Instead consumer selects some alternatives from the total number of alternatives and decision is taken by considering those selected alternatives. The alternatives which are considered while making decision is called as "Consideration Set". Few consumers have larger consideration sets and few other consumers have smaller consideration set. If consumers are loyal towards any one specific brand then only that brand is included in their consideration set.

Companies use different ways to include them in the consideration set of consumers. One way is by asking consumers whether they would like to buy some more items from their company. For example, consumer who had purchased garments from the store is asked by sales person whether he/she would like to purchase accessory items from the store. One more way used by companies to gain consideration is by offering incentives to consumers.

### Stage 2: Developing the Consideration Set

Consumers can develop "Consideration Set" by using two ways. One way is by carrying out 'external search' and another way is by carrying out 'internal search'. In case of external search, consumers go through the yellow pages to know the number of alternative choice available in the market and selects the favourable alternatives for considering at the time of decision making. In case of internal search, alternative choices are searched in the memory. In case of internal search, consideration set relies upon the consumer's ability to recollect the choice alternatives from his/her memory. Here, memory from where choice alternatives are recollected is called as 'Retrieval Set'.

All the alternative choices retrieved from internal search or external search might not gain consideration. Only those alternatives which are considered as favourable by consumers form consideration set. If consumer is purchasing the product for the first time then he lacks knowledge about the choice alternatives available for that product. Under this situation consumer cannot undertake internal search for developing a consideration set.

Marketing strategy relies upon how consideration set is developed by consumer sometimes, 'Recognition' in place of 'Recall' becomes very essential for developing consideration set.

### Stage-3 Evaluating Choice Alternatives

After developing consideration set, consumers are required to decide how to evaluate choice alternates.

Choice alternatives can be evaluated in two ways.

- a) Depending upon preexisting evaluations
- (b) Developing new evaluations.
- a) Depending upon Preexisting Evaluations:** In this type of evaluation, choice alternatives are evaluated based on preexisting evaluations stored in consumer's memory. The preexisting evaluation- in memory depends upon prior purchases and consumption experiences of consumer with respect to product. Sometimes, preexisting evaluations might be on the basis. of indirect or second hand experiences collected from the friends, neighbours etc.

- b) **Developing New Evaluations:** Usually consumer don't prefer using preexisting evaluations for making purchase decisions. Consumers making purchase decision for the first time will not possess preexisting evaluations. Consumers who have experience in making purchase decision, in spite of possessing preexisting evaluations might not prefer using them in making a choice.

New evaluations are developed to evaluate choice alternatives and to make a choice/decision. New evaluations can be developed by two processes

- i) Categorization process and
- ii) Piecemeal process.

i) **Categorization Process.** In case of categorization process, evaluation of choice alternatives relies upon the specific category to which choice alternatives belong to.

ii) **Piecemeal Process.** In case of piecemeal process, new evaluation method is obtained by taking into account merits and demerits of alternatives across significant product dimensions.

### Criteria for Comparing the different alternatives

Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain criteria. These involve:

- i) Generation of choice alternatives
  - ii) Identification of evaluative criteria: Attributes and Benefits
  - iii) Application of Decision Rules.
- i) **Generation of choice alternatives:** During generation of alternatives, a consumer moves from an evoked set towards the choice set.
- **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.
  - **Inept set:** These are the alternatives from the evoked set that the consumer excludes from further consideration, as he perceives them to be inferior and unacceptable.

- **Inert set:** These are the alternatives from the evoked set that the consumer excludes from further consideration, as he is indifferent towards them and perceives them as the ones without much advantages or benefits.
  - **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 set them as standards to discriminate among the various alternatives. The consumer evaluates 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).
  - **Behavioral:** 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.
1. **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 Summation:** 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 summed ladded.
2. **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.
- **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.
  - **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.
  - **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 the order of importance.

Sometimes the application of one rule may not be enough; And another may also be applied to reach a final decision.

## 4.2 PURCHASING PROCESSES

### Decision to Buy

In the process of purchase decision making, consumer is involved in taking decision concerning whether to purchase the product or not, where to purchase, when to purchase, what to purchase and finally how to make payment for the purchases made.



The various factors influencing these purchase decision are,

- Atmosphere of a shop
- Cleanliness maintained in a shop
- Service level
- Prices offered
- Total experience in retailing
- Value and
- Logistics.

In order to attract consumers, retailers compete with one another on the above mentioned aspects. Consumers should go through the alternative products available for them and take decision regarding where to buy it? And how to buy it? Rather than deciding only on what to buy? Consumer makes some purchases from internet, direct salesperson or a catalog rather than visiting the store for purchases.

### **Outcomes of Decision to Buy**

The three outcomes of the decision to buy are,

1. Unplanned purchase
2. Fully planned purchase and
3. Partially planned purchase.

#### **1. Unplanned Purchase**

Majority of the products purchased by consumers are found to be unplanned. The factors influencing the consumers to make impulse purchases are Point of Purchase (POP) displays, sales price tag on product or display of new product in the store. By seeing the product displays, consumer realise their need and make purchase. In case of unplanned purchase, purchase decision is made at the point of sale.

#### **2. Fully Planned Purchase**

In case of fully planned purchase, purchase decision is made in advance. In other words, product and brand to be purchased is decided before only. Purchase planning takes place both in low-involvement and high-involvement purchases. Marketers promote their brand and store loyalty through advertising and sales promotion programs which motivate consumers to plan the purchase.

Whether purchasing takes place as per the plan or not is influenced by various in-store factors like time constraints, awareness regarding store layout and design and in-store decision making. Consumers get diverted from their planned purchases through marketing strategies like reduction in price, POP displays, product samples, coupons and other promotional tactics. The way marketing activities influence purchase decisions relies upon loyalty.

### 3. Partially Planned Purchase

In case of partially planned purchase, purchase planning is made in advance but the selection of a brand and product is made at the point of purchase. If consumers involvement in purchase is low then consumers usually seeks to purchase those brands which they know and like. The consumers selection of a brand is affected by factors like price reductions, packaging or special displays.

#### 4.2.1 Purchase Decisions: Issues And Resolution

Each scenario begins with a short story that depicts the flow of thoughts in the consumer's mind, and thereby the issues he faces during the purchase, followed by the way he resolves it, are explained below:

##### Issues in Purchase Decisions

Ravi has the typical profile of a consumer who is looking to buy a new car. The different issues he faces are as follows :

1. **Status symbol:** To fit in with his peer group and prove his worth to the society
2. **Personal need:** To meet the needs for transportation, taking the family needs in: consideration.
3. **Price:** It is a very important factor, and unaffordable prices mean an outright rejection of choices. Price is often used as the first elimination rule while making the purchase decision.
4. **Family preferences:** Since the car is meant for the entire family, the family preferences are important, especially in aesthetic aspects such as colour, styling, accessories, etc.
5. **Features:** Ravi has specific requirement in mind while making his choice of car. This includes: running cost, maintenance requirement, mileage, service warranty period, number of free services, enhanced features such as power steering, power windows, safety features such as ABS, etc. These requirements are common to many consumers.

### Resolution of the Purchase Decisions

Each consumer applies an array of tools to resolve the issues and identify the best option that meets his aspirations, needs and constraints. Some of the tools are enumerated now.

1. **Advertisements:** Media advertisements inform the consumer about the cars available in the market, and roughly list the cars that can meet his criteria.
2. **Peer survey:** Understanding what the peers use, and aspire for the same or slightly better models.
3. **Technical opinion from friends:** Trustworthy friends who knows about cars, as well as best/recent users of the car(s) are consulted to get first-hand knowledge of the performance and other aspects, of the car.
4. **Media reviews:** Technical reviews from leading automobile magazines and websites are taken. These are normally reliable.
5. **Actually visiting the company showrooms/dealers' shops:** This process enables the consumer to gather a first-hand experience about the product. He consults the salesman, enquires about the features of the car, various colour options available, the maximum discount the dealer is willing to give, financing facilities, loan availability, etc.

### 4.3 POST PURCHASE BEHAVIOUR

Simply defined, Post-Purchase Behavior is the stage of the Buyer Decision Process when a consumer takes additional action, based purely on their satisfaction or dissatisfaction. The consumer's level of satisfaction or dissatisfaction is directly related to the varying relationship between their initial expectations of the product (pre-purchase), and their perception of the actual performance of the product (post-purchase) in their hands.

#### 4.3.1 Behavioural Factors Related to the Purchase

The consumer's decisions to purchase a product is associated with many different types of behaviour. However, the following three decisions have been identified as the most important decisions for purchase purpose. They are as follows,

**a) Decisions in Relation to Payment for Purchases Made**

These decisions are related to how payment are to be made for purchase of product i.e., either through cash or credit. In America it is witnessed that most of the payments are credit based. About 57 percent of payments are made using cheques, About 36% of customers use cash whereas, the 6% use credit cards for payments. The purchase decision mainly involves the selection of method of payment i.e., cash or credit. The consumer has two options either cash or credit. However, banks offers large credit facilities today and therefore play a crucial role in payment for consumer purchases.

**b) Decisions on Product Setup and Use**

The consumer is also required to make a crucial decision of setting up or installing the product, at the time of its purchase. The product may be ready to use but need to be set-up or installed appropriately for the consumer satisfaction. Example, Car, Television, Refrigerator etc., require a proper set-up.

Whereas, sometimes small products may prove to be more complicated to set-up. The manufacturers usually provide manuals or instructions booklets for such products. The Air-conditions, Micro ovens are some of the example of such products.

**c) Decision on Products or Services of Similar Nature**

Usually, a consumer purchasing a particular product turns out to be the purchaser of related product or service. For Example, A car seller may offer other extended services that may attract the buyer of the car and he may also purchase the extended services offered. Therefore, it is crucial for the buyer to take decisions related to similar products.

**Marketing Implications**

The marketers mainly focus on the consumer's post purchase decisions. The markets focus on providing easy payment options to consumers. They do so by accepting cash or cheque or credit issued by consumers. The banks and financial institutions offer extend credit facilities and various alternatives to consumers.

Secondly, the marketers offer further services such as explanation to buyers on products use and set-up. These activities are crucial to ensure consumer satisfaction.

For the products purchased from self-service stores the information is more crucial as the set-up or installation of product is not undertaken by the store. Therefore, the manufacturers must ensure that the information is easily understandable.

The products use and installation should be clearly understood by the manufactures. This enables the manufacturer to introduce a better and improved quality product.

Lastly, the marketer focuses on creating aware ness on the related products or services offered by them to the consumers. This may make the consumer interested in the additional related products or services.

#### **4.3.2 Impact of Post Purchase Behaviour on Consumer Goods**

The post-purchase decisions of consumer leads to some important marketing implications which are as follows,

##### **I) Product Set-up and Use**

The implications that flows from the decisions related to product set-up and use are,

1. Providing information and assistance
2. Understanding the user's consumption system and
3. Decisions about warranties.

##### **1. Providing Information and Assistance**

When a consumer buys a major durable good like large-screen television, washer, etc., from a retailer then it is the responsibility of the store to install or set-up the product and explain its functions to the user. If the after sale services are not good then it may result in customer dissatisfaction which may in turn lead to poor word-of- mouth communication about the product. The information on product set-up and use has become very important in the present self-service economy as the consumer mainly depends on the literature provided with the product for operating it.

##### **2. Understanding the User's Consumption System**

The marketers need to first understand the consumption system of the consumer instead of providing information to the consumers. It is very essential for the marketers to improve the quality and functionality of the

product. It is also essential for the marketer to understand the consumption system of the user so that the consumers can complete their task by using the product. The suitability of the product with other products in terms of consumption behaviour may provide new marketing opportunities.

### 3. Decisions about Warranties

A factor related to product set-up and use is the product or service warranty which is the promise given by the manufacturer or seller that if any problem occurs during the warranty period then it is corrected by the seller or manufacturer. Usually, an effective warranty provides various benefits to consumers such as,

- i) It gives assurance for quality and value of product/ service.
- ii) Self confidence is increased which in turn relates to correctness of product/service selection.
- iii) The risk of ownership is minimized by providing return or refund privileges.
- iv) Dissonance will also be reduced by the warranty assurance of quality.

The warranties greatly affect the consumers and their consumption systems. If strong warranty is given on new high-performance brand then it has a positive impact on product evaluation.

## II) Related Products and Services

The second factor which must be considered by the marketer with respect to post purchase activities is the interest of the buyers in related products and services. If buyers are interested in related products then they must have adequate knowledge about the potential products which are existing in the market, hence the literature available with product must represent the other products in line. The main task of the marketer is to identify an appropriate product mix which is suitable for the firm. The function significantly deals with implementing the marketing concept for recognizing the products which are related in nature and can be marketed effectively.

### 4.3.3 Post Purchase Evaluation

The organization continuously works towards improving the customer satisfaction. The organizations have recognized the importance of customer's opinion towards its products and services. They continuously work towards improvement in the quality of products to withstand the competition.

The following are the factors that may lead to satisfaction or dissatisfaction among consumers.

**1. Main Product or Service**

The main product or service determines the target customer of the organization. The functional features of the product or service are known by its main product or service. The customer satisfaction or dissatisfaction completely depends upon the functions and features of the main product. Most competitors differ on the basis of main or core product or services.

**2. Value Added Features**

The value added features are the additional features offered by the core products or services. These features are either tangible or intangible and differentiate the products or services from the products or services of the competitors. The tangible feature can be easily copied by the competitors as they are quantifiable and measurable. The exclusive range, cost, packaging are examples of some tangible features.

The intangible features cannot be copied. These features depend upon the following three factors,

- Reliability
- Responsiveness
- Reputation.

Creating an image constituting of either one or all the above factors is not easy to achieve. Developing an appropriate business processes, employee attitude, customer friendly culture and communication between the external and internal employees, are important assets to the organisation.

The organizations that offer distinct and consumer expected tangible and intangible services are sure to increase the customer satisfaction level and vice-versa.

**3. Price Vis-a-vis Perceived Benefits**

The price of the product and expected benefits from the product also lead to satisfaction or dissatisfaction among customers. Therefore, it is crucial for organization to understand the benefits derived by the customer from the product. On the basis of these benefits the price of the product must be determined. In case of price higher than the expected benefits the dissatisfaction is surely to be caused.

#### 4. External and Contextual Factors

The consumer satisfaction level is also effected through various external and contextual factors. The physical infrastructure, transport system reliability after sales service etc., are examples of certain external factors. The marketing mix policies must be appropriately set to achieve high level of satisfaction.

#### 5. Personal Factors

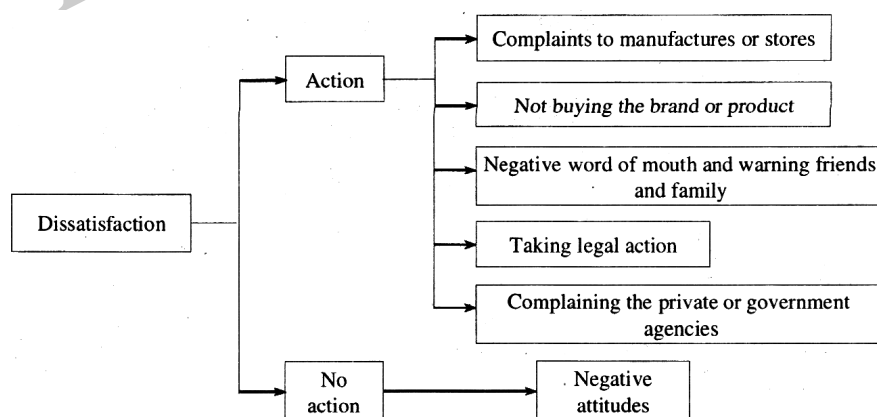
The individuals psychological and emotional mind status also lead to satisfaction or dissatisfaction. The organizations take into consideration the various personal factors for dividing the customers. LIC is the best example of a brand that has created the image of the most trusted brand in India.

#### 4.3.4 Dissatisfaction of Responses

A large number of dissatisfaction response are available for a dissatisfied customer. The basic decision of the dissatisfied customer is whether to take or not to take any action. The customer's decision of not taking action indicates that the customer has decided to live in an unsatisfied condition. But the consumer is sure to avoid the unsatisfied brand and have a negative attitude towards it.

On the other hand five basic options are available for consumers willing to take action in response to dissatisfaction. These options cause damages to the firms both directly and indirectly. Direct losses may result from the loss of sales. The less favourable attitude of the consumers results in indirect loss to the firm.

The following figure represents the dissatisfaction responses consumers.



Figure



#### 4.3.5 Reasons for Customer Satisfaction

Business organisations put special focus on customer satisfaction. The various reasons behind why customer satisfaction is considered as very important are discussed below.

##### 1. Customer Satisfaction Shapes Word-of-mouth and Word-of-mouse Communication

Apart from influencing future buying behaviours of consumers, post-consumption evaluations influence other behaviours also. Customer satisfaction influences 'Word-of-mouth communication. Communication of consumption experience by one person to other person is called as 'Word-of-mouth communication. Discussions regarding consumption experiences among people are very common.

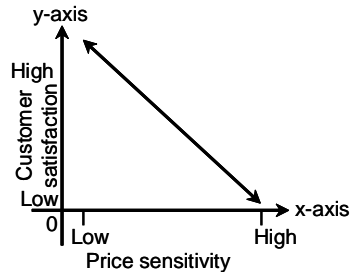
Word-of-mouth communication will be positive if consumption experience is positive. Negative consumption experiences not just minimizes the chances of repeat purchases but also results in customers talking insulting words while communicating their experiences with others. Compared to satisfied customer, dissatisfied customer communicate his negative consumption experience to more number of people.

When communication between the customers is taking place over net then such type of communication is known as 'Word-of-mouse communications'.

The company's success in retaining existing customers and attracting new customers relies upon its capability to give good consumption experience to customers. Dissatisfied customers brings down the business and makes the company incapable to attract new customers. On the other hand, satisfied customers become repeat purchasers and help the company in attracting new customers.

##### 2. Customer Satisfaction Lowers Customers Price Sensitivity

There is an inverse relationship between price sensitivity and customer satisfaction. Higher the customer satisfaction, lower will be the price sensitivity and lower the customer satisfaction, higher will be the price sensitivity. The following figure depicts the relationship between customer satisfaction and price sensitivity.



**Figure : Relationship between Customer Satisfaction and Price Sensitivity**

The customer's willingness to pay for the product relies upon how valuable the product is in the eyes of customer. If customer considers product as valuable then he/she don't mind spending more money on buying it. Products delivering satisfying consumption experiences are assigned more value than compared to products delivering less satisfying consumption experience. A satisfying consumption experience makes customer satisfied with the product and satisfied customer show less price sensitivity.

### **3. Customer Satisfaction Influences Share holders Value**

Anderson, Fornell and Mazvancheryl conducted a research to find out the relationship between customer satisfaction and shareholders value. They found that there exists a positive relationship between customer satisfaction and shareholders value i.e., higher the customer satisfaction level, higher will be the shareholders value and lower the customer satisfaction level, lower will be the shareholders value.

### **4. Customer Satisfaction Influences Repeat Purchases**

An answer to the question whether customer will make repeat purchase or not relies upon the customer satisfaction with the product. The customers who have obtained positive consumption experience from the product are more likely to make repeat purchase of the product. The customers who have derived negative consumption experience are less likely to make repeat purchases. As retaining existing customers is easy and economical than compared to attracting new customers, companies focus more on delivering satisfactory consumption experiences to customers.

Eventhough, satisfying consumption experience does not assure customer loyalty, the chances of customers loyalty towards the product relies upon their satisfaction level. Due to this reason, companies should aim at "Customer Delight" rather than just focusing on "Customer Satisfaction".

## 5. Customer Dissatisfaction Results in Complaints and Lawsuits

Apart from spreading negative word-of-mouth, dissatisfied customer give complaints and sue the company in the court. Complaints and lawsuits results in negative publicity and company is made to spend its time and money in defending itself in the court.

It is not necessary that all dissatisfied customer give complaint. There are many reasons why dissatisfied customer don't give complaint. Some of the reasons are listed below.

- When dissatisfaction of customer is ignorable then customer don't complaint.
- At time, customers feel that their dissatisfaction is not due to product. In this case customer don't complain.
- If customer feel that his/her dissatisfaction is not worth his/her time and effort in this situation customer don't go for complaint. Companies are required to take up correct measures after analyzing the reasons behind customer dissatisfaction.

Dissatisfied customers not giving complaint might cause more harm to the company's success than compared to customers giving complaint. Companies should welcome customer complaints, companies should respond quickly to the customer complaints. Quick response might make dissatisfied customer make repeat purchase. The nature of company's response to customer complaints is also very essential.

## 6. Customer Satisfaction is Essential for Attracting New Customers

Customer satisfaction is essential for both retaining existing customers and attracting new customers. Apart from understanding the consumption experiences of own customers, companies should understand the consumption experiences of competitors customers in order to develop strategies for attracting competitor's customers. If competitor's customers are satisfied with the competitors products then it becomes difficult to attract competitor's customers.

### 4.3.6 Post Purchase Dissonance

Consumers might get dissonant on buying decision. 'Cognitive Dissonance' takes place due to deviation between consumer's purchase decision and consumers prior evaluation. 'Post-purchase Dissonance' occurs when consumer faces certain problems with the purchased product or brand.

Dissonance theory is the outcome of two main principles. They are,

- People facing dissonance ignore those situations which give rise to more dissonance.
- Dissonance is embarrassing and persuade people to minimize the dissonance level.

### Factors Leading to Dissonance

As per the research conducted on cognitive dissonance, dissonance occurs in the below mentioned situations.

- a) **When Decision Once Taken Cannot be Changed.** For example, when consumer purchases a new washing machine, there are very less chances that he will be able to change his purchase decision and get back his money paid for purchasing washing machine.
- b) **When Huge Number of Alternatives are Available.** When huge number of choices are available to consumers, they face difficulty in making purchase decisions and this there by results in post-purchase dissonance.
- c) **When Consumer Sticks to his Purchase Decision due to its Psychological Importance.** For example, furniture setting in a hall has psychological importance as furniture conveys the person's philosophy, decorating tastes and lifestyle.
- d) **When Dissonance Tolerance Limit is Crossed.** Cognitive dissonance occurs when dissonance tolerance limit is crossed. Consumers can tolerate only some level of discomfort. Dissonance occurs when this discomfort level is crossed.
- e) **When Consumer is Pressurized to take Decision.** In case of external pressure on consumer, consumer will make decision as per the demand rather than taking decision as per his/her preference.
- f) **When Alternatives which are not Chosen, have Attractive Features.** Dissonance occurs when consumer choose alternatives which do not possesses attractive features.
- g) **When Available Alternatives Differ in Some Characteristic Features.** Little cognitive dissonance occurs when available alternatives differ in some of their features. Compared to over purchases, dissonance is considered to be high for purchase of durable product. How to reduce cognitive dissonance?

### Methods of Reduce Dissonance

Consumers try to reduce dissonance in different ways. The three important methods adopted by consumer to reduce dissonance are,

1. Changing product evaluations
2. Searching for new information or
3. Changing his/her own attitudes.

#### 1. Changing Product Evaluations

Changing product evaluations or reevaluation of product alternatives is one of the method opted by consumers to reduce dissonance. Reevaluation of product alternatives is done by increasing the features of choosen products and at the some time decreasing the value of features of unselected products. In simple words, consumers try to divide the product alternatives into two different groups having different attributes.

One more way to reduce dissonance by changing product evaluations is viewing the product alternatives as same. When alternatives are viewed as same, there will be not much difference on which alternative is selected so, only little dissonance occurs.

Selective retention make consumer remember only positive features of selected product and negative features of unselected product.

#### 2. Searching for New or Additional Information

In order to reduce dissonance, consumers search for new or additional information. Additional information help consumer in judging whether his/her product selection is correct or not. As per the dissonance theory, dissonant person usually ignore information which results in the increase in dissonance level and makes consumer search for information to confirm that their decision is correct.

Eventhough it is present in a written form that dissonant consumer search for additional information, there is no proof which says that consumers facing high dissonance search for high information/ ignore information searching At times consumers search for discrepant information, at times they search for information continuously and at times they search only for necessary information. Information searching by consumers relays upon the extent of information collected by consumer before making decision and opinion of consumer about his decision.

### 3. Changing his/her Own Attitudes

In order to reduce dissonance, consumers change their attitudes. Attitudes are changed to match them with that of consumers behaviour. For instance, consumer purchased washing machine from market eventhough consumer has negative opinion about that washing machine. The reason behind purchase might be offers given by marketer. Dissonance occurs in this kind of purchase behaviour. In order to reduce dissonance, consumer has to reevaluate the product attributes and build favourable attitude towards the product in there by bring consistency consumer attitudes and his/her behaviour.

## 4.4 MODELS OF CONSUMER DECISION MAKING

### 5. The Nicosia Model

Marketing scholars have developed buyer behaviour models from point of view of marketing man. The significant models of them are Nicosia model and Howard Sheth model, they belong to systems model category. Systems model is the one in which human beings are considered as system, stimuli as input and behaviour as the output of the system.

The Nicosia model identifies a relationship between a firm and its consumer that how consumer and his buying decisions are effected by the activities of the firm. In Nicosia model, firm attract the customers towards the product then customer develop some feelings towards the product depending on situation. Customer begin to search and evaluate the product, if he is satisfied then makes the decision to buy.

### 6. The Howard-Sheth Model

The Howard-Sheth model was developed by John Howard and Jagdish Sheth in 1969. In this model, inputs are the incentive and output is the purchase decision. There are many variables between inputs and outputs which influence perception and learning. These variables are regarded as "hypothetical" as they cannot be evaluated at the time of their existence.

However, many models were developed to describe the buyer behaviour but no model can clearly explain about the buyer behaviour. The models explained above are useful in getting knowledge of buyer behaviour.

#### **4.4.1 Comprehensive Models of Consumer Decision Making**

In consumer behaviour literature there exist six comprehensive models of consumer behaviour:

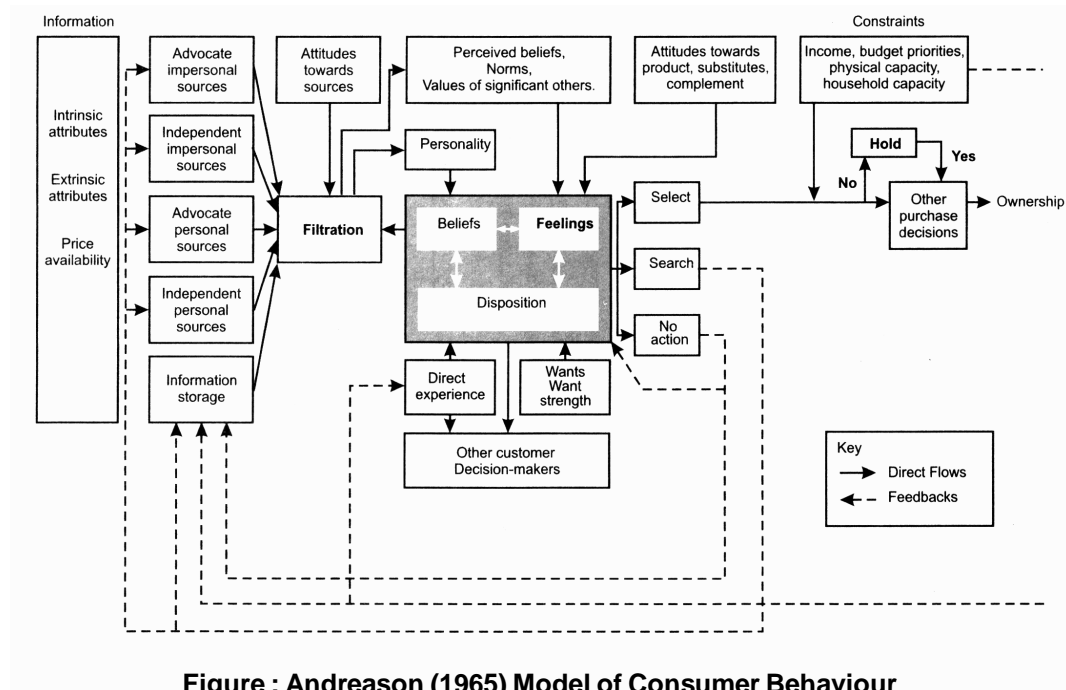
- (i) The Andreason Model
- (ii) The Nicosia Model
- (iii) The Howard-Sheth Model
- (iv) The Engel-Kollat-Blackwell Model,
- (v) The Bettman Model
- (vi) The Sheth-Newman-Gross Model

Here, the first four models focus on consumer decision making, especially on how individual consumers arrive at the brand choices.

The Andreason and the Bettman Model depict a typical consumer's information-processing perspective. They focus on the cognitive aspect of information search and processing and show how a consumer uses information to arrive at various types of buying decisions. The Sheth-Newman-Gross Model is developed on the assumption of certain consumption values. It tries to explain why consumers choose to buy or not to buy a specific product or a specific brand.

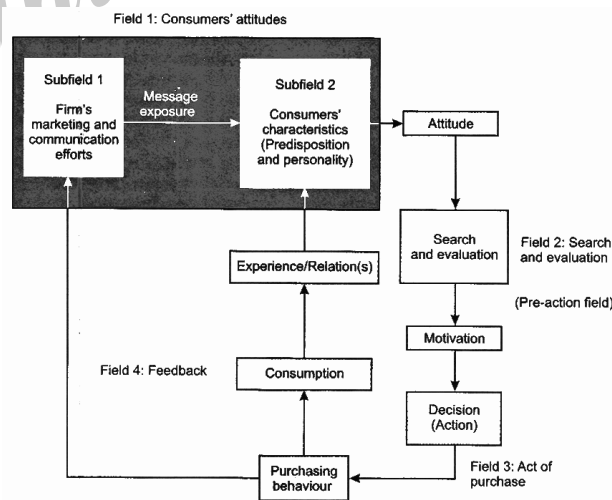
##### **1. The Andreason Model**

The Andreason model (1965) shown in Figure one of the earliest models of consumer behaviour. The model recognizes the importance of information in the consumer decision-making process. It also emphasizes on processing of information, its filtration and formation of consumer attitudes.



## 2. The Nicosia Model

The Nicosia model was proposed by Nicosia (1976) and is depicted in Figure below.





A marketer tries to influence consumer's choice decision by means of several messages that finally lead to purchase. Predisposition towards the firm's offerings and current advertising messages influence the consumers and create an attitude that leads to some positive disposition towards advertised brands.

Generally, positive attitude results in the motivation to purchase those brands. Given its reliance on a marketer's communication initiative, the Nicosia model focuses on the relationship between the message and its impact on the potential consumers. In the broadest term, the model assumes consumers are exposed to the firm's various advertising messages and they respond to the firm by their purchase actions. The model, which is interactive in nature, proposes that the marketer tries to influence its target consumers, and the consumers through advertising, react through buying (or not buying) those advertised brands.

The Nicosia model has focussed on four major fields :

1. Consumers' attitude formation based on message exposure
2. Consumers' information search and evaluation of alternatives
3. The act of purchase
4. Feedback given by the consumer

**Field 1. The consumer attitude based on the firms' messages.**

The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

**Field 2: Search and evaluation**

The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

**Field 3: The act of the purchase**

The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

**Field 4: Feed back**

This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.

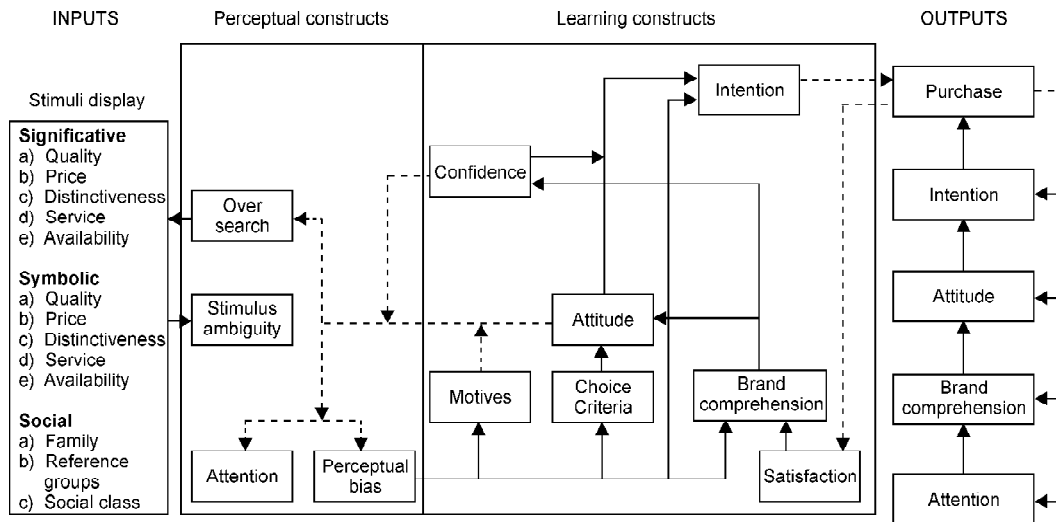
The Nicosia model offers no detailed explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

**3. Howard-Sheth Model**

The Howard-Sheth model is a major revision of an earlier systematic effort to develop a comprehensive theory of consumer decision-making. This model distinguishes among three levels of learning (i.e., stages of decision making).

- a. **Extensive Problem Solving** takes place when the consumer's knowledge and beliefs about brands are very limited or non-existent, and he or she does not have specific brand preference. Here the consumer actively seeks information concerning a number of alternative brands.
- b. **Limited Problem Solving** takes place when the consumer's knowledge and beliefs about the brands are only partially established, and he or she is not fully able to asses brand differences in order to arrive at a preference. Some comparative brand information is sought, although the decision criteria are likely making to be fairly well defined.
- c. **Routinized Responses Behaviour** occurs when the consumer's knowledge and beliefs about the brand and its alternatives are well established, and the consumer is predisposed to the purchase of one the particular brand.

A simplified version of the basic Howard-Sheth model is shown in Figure



**Figure : Simplified version of the Haword-Sheth model of Buyer Behaviour**

The model consists of fur major sets of variables.

- (i) inputs
- (ii) perceptual and learning constructs
- (iii) output
- (iv) exogenous (external) variables

#### (i) Inputs

The input variables consist of three distinct type of stimuli (information sources) in the consumer's environment.

1. Physical brand characteristics (*significance* stimuli)
2. Verbal or visual product characteristics (*symbolic* stimuli) are furnished by the marketer in the form of product or brand information.
3. Consumer's social environment (family, reference groups, social class)

All three types of stimuli provide inputs concerning the product class or specific brands to the prospective consumer.

**(ii) Perceptual and Learning Constructs**

The central component of the Howard-Sheth model consists of psychological variables that are assumed to operate when the consumer is contemplating a decision. These constructs are treated as abstractions, and are not operationally defined or directly measured. Some of the variables are perceptual in nature and are concerned with how the consumer receives a process information acquired from the input stimuli and other parts of the model.

For example, *stimulus ambiguity* occurs if a consumer is unclear about the meaning of information received from the environment; *perceptual bias* occurs if the consumer distorts the information received so that it fits his or her established needs or experiences.

*Learning constructs* serve the function of concept formation. Included in this category are the consumer's goals, information about brands in the evoked set, criteria for evaluation alternatives, preferences, and buying intentions. The proposed interaction (linkages) between the various perceptual and learning variables and the variables in other segments of the model give the Howard-Sheth model its distinctive character.

**(iii) Output**

The model indicates a series of output that correspond in name to some of the perceptual and learning construct variables (attention, brand comprehension, attitudes, intention), in addition to the actual purchases.

**(iv) Exogenous Variables**

Exogenous variables are not directly part of the decision making process. Relevant exogenous variables include the importance of the purchase, consumer personality traits, time pressure, and financial status.

**4. Engel-Kollat-Blackwell Model (EKB)**

The Engel-Kollat-Blackwell model of consumer behaviour also known as the Engel-Black-Miniard model was originally designed to serve as framework for organizing the fast-growing body of knowledge concerning consumer behaviour. Like the Howard-Sheth model, it has gone through a number of revisions aimed at improving its descriptive ability and clarifying basic relationships between components and subcomponents. The model consists of four sections :

- Decision-process stages
- Information input,
- Information processing, and
- Variables influencing the decision process.

The Structure of EKV Model is Depicted in Figure

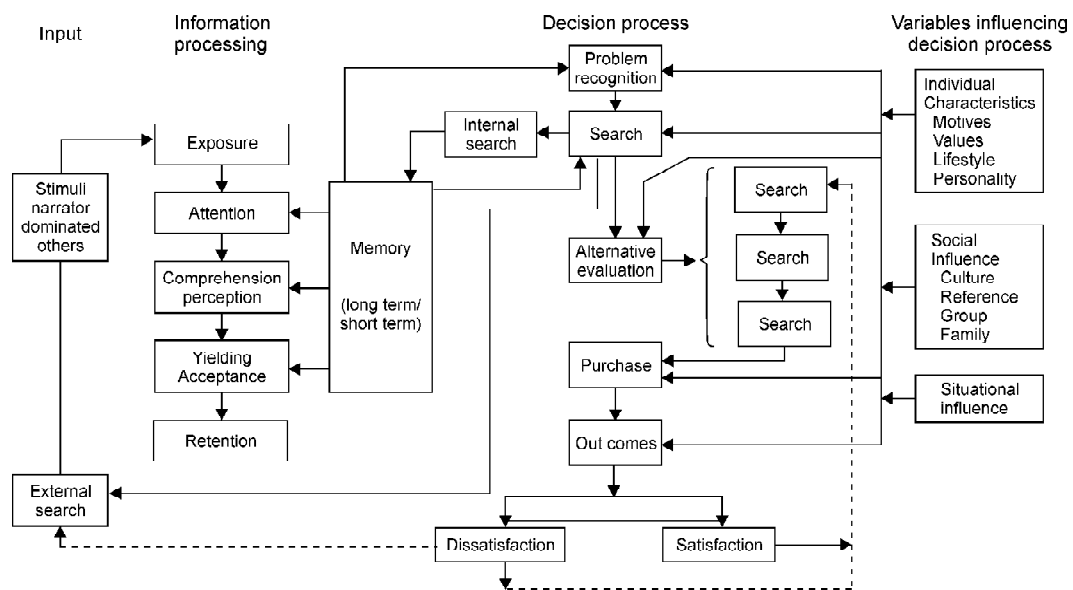


Figure : The Engel - Kollat - Blackwell (Engel - Blockwell - Miniard) Model

#### a) Decision-Process Stages

The central focus of the model is on five basic decision-process, stages; problem recognition, search, alternative evaluation (during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. The number of stages that figure in a specific purchase decision, and the relative amount of attention given to each stages, are functions of how extensive the problem-solving tasks are felt to be.

For example, in extended problem-solving behaviour, consumers presumably pass through all five stages; in routine problem-solving behaviour, consumers presumably do not require external search and alternative evaluation-they know what they want.

**b) Information Input**

Information from marketing and non-marketing source; feeds into the information processing section of the model. After going through the consumer's memory, which serves as a filter, the information has its initial influence at the problem recognition stage of the decision-making process. Search for external information is activated if additional information is required in order to arrive at a choice, or if the consumer experiences dissonance because the selected alternative is less satisfactory than expected.

**c) Information Processing**

The information processing section of the model consists of the consumer's exposure, attention, comprehension / perception, yielding / acceptance and retention of incoming market-dominated and non-marketing information. Before a message can be used, the consumer must first be exposed to it, allocate information-processing capacity to it, interpret the stimulus, be persuaded by it, and retain the message by transferring the input to the long-term memory as information and experience, the message must pass through sensory memory - which analyses the input in terms of its physical properties - and short-term memory, where the message (stimulus) is analysed for decision making.

**d) Variables Influencing the Decision Process**

The last section of the model consists of individual and environmental influences that affect of all five stage of the decision process. Individual characteristics include motives, values, life-style, and personality, the social influences are culture, references groups and family. Situational influences, such as a consumer's financial condition, also influence the decision process.

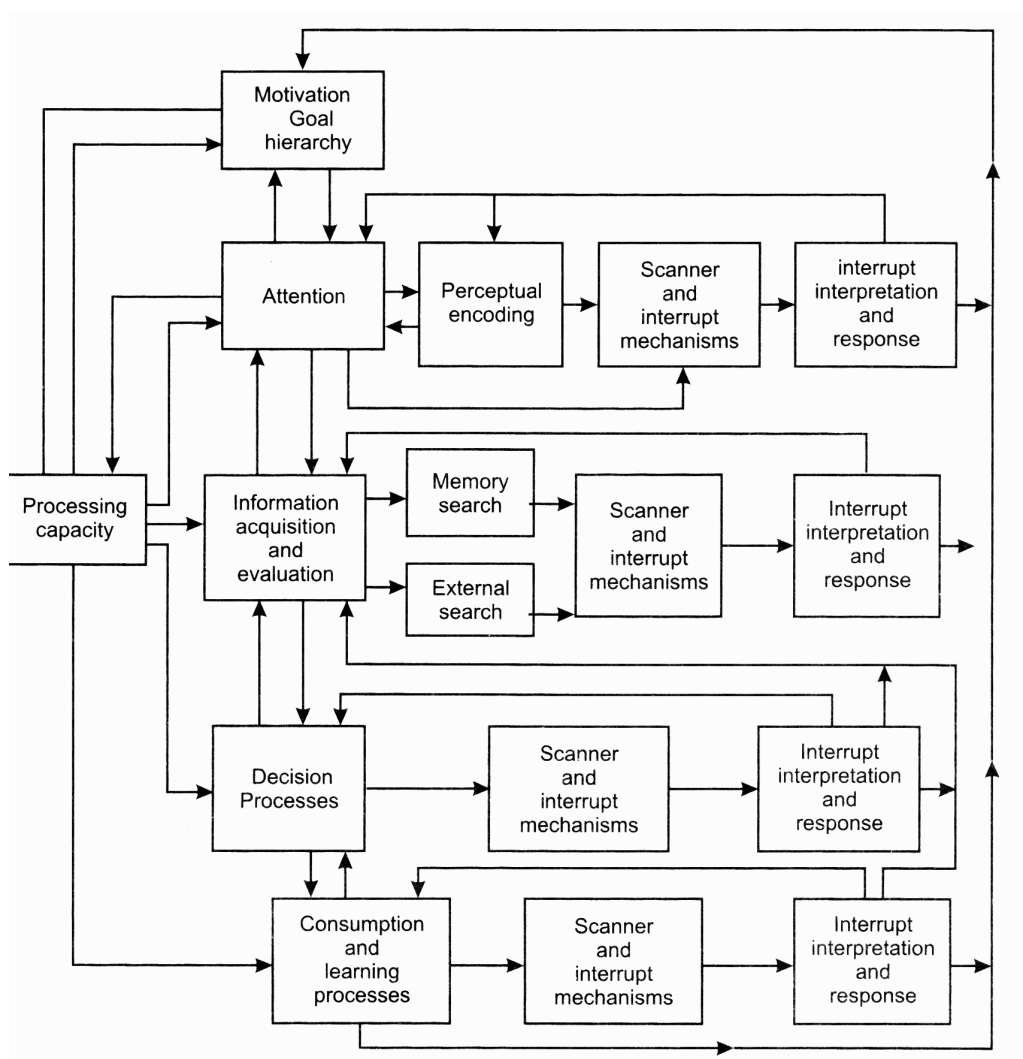
**5. Bettmans Information Processing Model**

Bettman's model, proposed in 1979, assumes that a typical consumer has a limited capacity for processing information. According to this model, when faced with making a choice decision, the consumer rarely (if ever) undertakes a complex task of evaluating all possible alternatives. Instead, he invariably employs a simple decision rule (heuristics). In its complete form, the Bettman model consists of a number of interrelated flow-charts that depict the various possible stages involved in the consumer's choice process. The model outlines seven steps involved in the consumer's choice process :

- a. Processing capacity
- b. Motivation
- c. Attention and perceptual encoding

- d. Information acquisition and evaluation (internal and external search)
- e. Memory
- f. Decision processes
- 7. Consumption and learning processes.

Figure below shows the linkage between various proposed components suggested in the Bettman model.



**Figure : Bettman's Information Processing Model**

- a) **Processing Capacity.** The Bettman model presumes that consumers have a limited capacity for processing information. While making any decision, consumers are likely to apply strategies that make product or brand selection process an easy and less taxing activity. As illustrated in Figure 11.5, the processing capacity component influences all other major components of the model.
- b) **Motivation.** Since consumer choice is conceived as being purposeful (i.e., designed to achieve certain goals), motivation is a central component of the Bettman model. It influences both the direction and the intensity of consumer choice and stimulates the consumer to seek particular information to evaluate alternatives and make a choice.

Motivation provides momentum in the form of a hierarchy-of-goals, which takes the form of a series of intermediate sub-goals which lead to creation of certain desires, and it finally ends by making certain choices.

The model suggests that, as a consumer gains experience in buying a particular product, he will no longer deploy an elaborate method to arrive at a decision. Thus, eventually, the consumer will be employing simple decision rules. Here, the model explains how the goal- hierarchy mechanism channelizes the consumer's effort in making a choice.

- c) **Attention and Perceptual Encoding.** The attention and perceptual encoding components are closely linked and influenced by the consumer's goal hierarchy. There are two types of attention: voluntary attention, which is a conscious allocation of processing capacity to current goals, and involuntary attention, which is more of an automated response to disruptive events (e.g., conflicting views or newly acquired information). Each of these two types of attention influences the consumer's ultimate choice.

The perceptual encoding element is an extension of the attention component. It accounts for the process by which the consumer organizes and interprets perceived stimuli and provides insights into the need for additional information.

- d) **Information Acquisition and Evaluation.** The Bettman model assumes that a consumer makes an external search when existing information in his memory is thought to be inadequate. However, all newly acquired information is again evaluated and its suitability or usefulness is assessed. According to



the model, the consumer continues to acquire additional information until major issues or problems are resolved or until he perceives any additional effort to collect information is not worth in terms of his time or commensurate value to be gained.

- e) **Memory.** Memory is the component through which all information flows. It is where a consumer first begins the search (internal search) for information on which to base a choice. If the internal information is insufficient, then the consumer undertakes external search.
- f) **Decision Processes.** The Bettman model emphasizes that different types of choices are usually made in conjunction with the fulfillment of specific components of the model (e.g., choice of goals and choice of information to be acquired). So the choices made during the decision processes component are of a particular form of choice, rather than the optimum choice. Specifically, this component deals with the application of heuristics or rules of thumb in the evaluation and selection of a specific brand.

The model also assumes that the specific heuristics a consumer employs are influenced by both individual factors (e.g., personality differences) and situational factors (purpose fulfilled by the decision). Thus, it is unlikely that a particular decision rule will be consistently employed by the same consumer in different situations, or by different consumers in the same situation.

- g) **Consumption and Learning Processes.** The consumption and learning processes of the Bettman model deals with the future utilization of experience acquired after the purchase has been made and the selected alternative consumed. Such consumption experiences provide the consumer not only the information to be applied to the future choice situation, but also the basis for developing or refining heuristics which are stored in the memory.

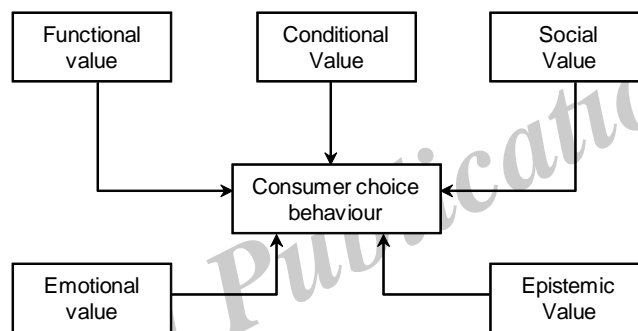
#### 6. The Sheth New Man Cross Model

The Sheth-Newman-Gross (SNG) model (1991) of consumption tries to explain 'why' consumers make the choices as they do. Compared to the other comprehensive consumer behaviour models, it highlights a series of specific measurements to understand the underlying consumer decision. Thus, this particular model is of practical relevance for segmenting any market. It concentrates on accessing consumption-relevant values that explain why consumers choose to buy or not to buy a specific product/brand over other possible alternatives.

The SNG model is based on the basic premise that "Consumer choice is a function of certain specific consumption values", namely:

- a. Functional value
- b. Social value
- c. Emotional value
- d. Epistemic value
- e. Conditional value.

Figure below shows the core elements of the SNG model for different consumption values.



**Figure : The Sheth-Newman-Gross Model**

- a) **Functional Value.** Sheth et al. (1991) defined the functional value of an alternative as

Traditionally, functional value is presumed to be the primary driver of consumer choice. Any brand's functional value may be derived from its characteristics or attributes such as reliability, durability, and price. For example, the decision to purchase a low priced automobile model may be based on fuel economy and maintenance record.

By identifying the dominant function of a product (i.e., what benefits it provides), marketers can emphasize on those benefits in their communication and packaging. Advertisements relevant to the function prompt more favourable thoughts about what is being marketed and can result in heightened preferences for both the ads and the product.

- b) Social Value.** Sheth et al. (1991) defined social value of an alternative as:

Social imagery refers to all relevant primary and secondary reference groups which are likely to be supportive of the product consumption. Consumers acquire positive or negative stereotypes based on their association with varied demographic (age, sex, religion), socio-economic (income, occupation), cultural/ethnic (race, lifestyle), or political, ideological segments of society.

Choices involving highly visible products (e.g., clothing, jewellery) and goods/services to be shared with others (e.g., gifts, products used in entertaining) are often driven by social values. For example, a particular make of automobile is being chosen more for the social image evoked than for its functional performance. Even products generally thought to be functional or utilitarian are frequently selected based on their social values.

- c) Emotional Value.** Sheth et al. (1991) defined emotional value of an alternative as :

Consumption emotion refers to the set of emotional responses elicited specifically during product usage or consumption, as described either by the distinctive categories of emotional experience and expression (e.g., joy, anger, and fear) or by the structural dimensions underlying emotional categories such as pleasantness/unpleasantness, relaxation/action, or calmness/excitement. Products and services are frequently associated with emotional responses (e.g. the fear aroused while viewing horror movie).

Emotional value is often associated with aesthetic alternatives (e.g. religion, social causes). However, more tangible and seemingly utilitarian products also may have emotional values. For instance, some foods arouse feeling of comfort through their association with childhood experiences (e.g. consumers are sometimes said to have 'love affairs' with their cars).

- d) Epistemic Value.** Sheth et al. (1991) defined epistemic value as :

Epistemic issues refer to reasons that would justify the perceived satisfaction of curiosity, knowledge, and exploratory needs offered by the product as a change of pace (something new, different). Entirely new experience certainly

provides epistemic value. However, an alternative that provides a simple change of pace can also be imbued with epistemic value. The alternative may be chosen because the consumer is 'bored' or saturated with his or her current brand (as in trying a new type of food), is curious (as in visiting a new shopping complex), or has a desire to learn (as in experiencing another culture).

**e) Conditional Value.** Sheth et al. (1991) defined conditional value as :

The utility of an alternative will often depend on the situation. For example, some products may have seasonal value (e.g., greeting cards), some are associated with once in a life events (e.g., marriage or wedding dress), and some are used only in emergencies (e.g., medical services).

The five consumption values identified by the model make their own contributions in specific choice contexts. Of course, a choice may be influenced positively by all five consumption values.

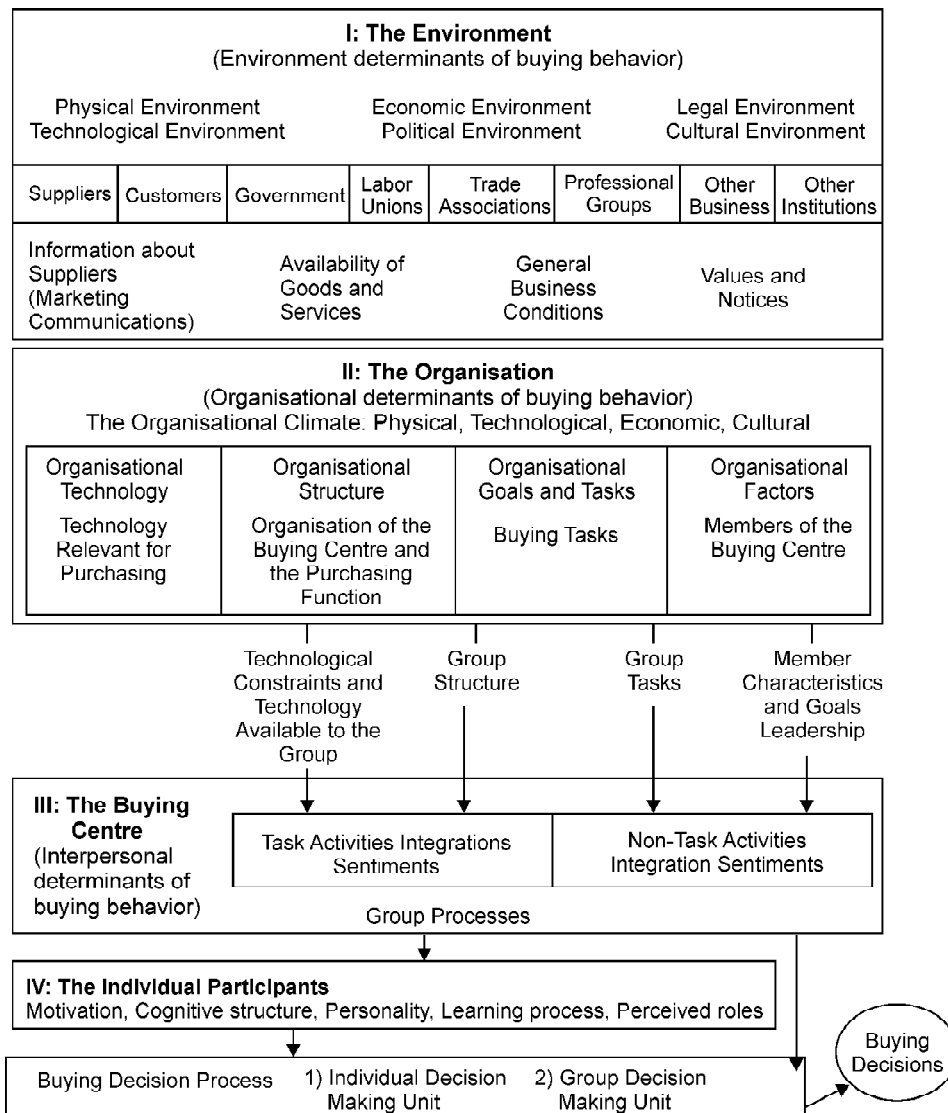
For example, to a first-time home buyer, the purchase of a home might provide functional value (the home contains more space than the present apartment), social values (friends are also buying homes), emotional values (the consumer feels secure in owning a home), epistemic value (the novelty of purchasing a home is enjoyable), and conditional value (starting a family).

## **7. Webster and Wind Model**

This is a complex model developed by F. E. Webster and Y. Wind, as an attempt to explain, the multifaceted nature of organisational buying behavior. This model refers to the environmental, organisational, interpersonal and individual buying determinants which influences the organisational buyer(s). These determinants influence both the individual and group decision making processes and consequently the final buying decisions.

The environmental determinants comprise of the physical and technological factors, economic, political, legal and socio-cultural environmental factors. These are external factors which cannot be controlled, but an understanding of the same may be crucial to succeed.

The organisational determinant is based on Harold Leavitt's four elements of buying organisation namely – people, technology, structure and task. This is seen in 'Buying Centre', mentioned in the figure below. The buying concepts emphasize on the fact that a number of people participate in the buying decision process consisting of individuals and groups from the various functional area in the organisation.



### Webster and Wind Model Organisation Buying Behavior

An individual may be involved in one or more buying roles during organisational buying. These roles are:

1. **Users** : The ultimate users who often initiate the buying process and help in defining specifications.

2. **Influencers** : They may or may not be directly connected with the decision. But their views or judgements of a product or a supplier carry a lot of weightage.
3. **Buyers** : Those people who negotiate the purchase.
4. **Deciders** : The people who take the actual decision (they may be formal or informal decision makers).
5. **Gate Keeper** : The person who regulates the flow of information.

This model is a valuable contribution and helps in revealing the whole range of direct and indirect influences which affect the organisational buying behavior. However, the limitation is that this model provides a static representation of a dynamic situation.

## 4.5 CONSUMERS AND THE DIFFUSION OF INNOVATIONS

### 4.5.1 Introduction to Innovation

#### Varying Perspectives to Defining "Innovation"

The term "innovation" has been described with varying perspectives and orientations, viz., firm-oriented, product-oriented, market-oriented, and consumer-oriented. Let us discuss each one of these :

- a) **Firm-oriented**: As per this approach, a product or service offering is regarded as "new," if the company starts manufacturing or marketing it for the first time. In other words, the firm orientation treats the "newness" in terms of the company's perspective.
  - the product is "innovative", if it is "new" for the company.
  - the existence of the product in the market (as competitor's offering, or even as consumers' awareness) is disregarded; as long as it is "new" to the company, it is regarded as an innovation.
- b) **Product-oriented**: A product and service offering is regarded as an "innovation", if the product changes in terms of form, attributes, features, and overall benefits; such changes have a two fold connotation, one, in terms of technology, and two, in terms of consumption usage and behavioral patterns.
  - the product is "innovative", if it is "new" in terms of form, attributes and features.
  - there are changes in technology, as well as impact on consumer consumption behavior.

c) **Market-oriented:** The market-oriented approach views “innovation” purely from a marketers’ perspective, in the sense that a product is regarded as “new”, depending on how much exposure the consumers’ have about the new product or service offering, and the total sales penetration that has occurred in the specified short period of time.

- the product is regarded “new” if the market does not have much exposure of it.
- sales penetration has been low.

Here again, there can be two bases that underlie a market-oriented definition; viz.,

- i) a product or service offering is regarded as “new”, if it has been in the market for a short period of time.
- ii) it is “new”, if it has been purchased/used/consumed by a small portion of the total potential market.

d) **Consumer-oriented:** The consumer-oriented approach to define “innovation”, is a favored approach over others, especially in consumer behavior research, and more specifically in research related to diffusion of innovation, and adoption; the reason is that the concept of “newness” or “innovation” is dealt through focus on consumer, and his/her reaction towards the new product and service offering, in terms of acceptance and rejection. As per this approach, any product is regarded as “new”, if the consumer believes it to be so; it is purely based on the consumers’ perception of the newness of the product, rather than on technological changes that the product embodies.

Amidst the varying perspectives and orientations, the approach(es) that receives wide attention are the market-oriented and the consumer-oriented approaches to studying “innovation”.

#### 4.5.2 Dimensions of “Innovation”

Some innovative products reflect a modification over the existing ones, others are radically different, and still others totally new. Such changes, slight, radical and complete, lie over a continuum; and any innovation can be measured and classified on two dimensions, viz., technological and behavioral. This implies that

- i) the product undergoes technological changes; it also requires
- ii) behavioral changes within the consumers with respect to usage and consumption pattern.

To sum up, innovations are measured on two dimensions,

- i) technological changes in the product itself: relates to the product only.
  - ii) behavioral changes within the consumers that are required for purchase and usage/consumption of the new product and service: relates to consumer behavior issues, product adoption, and usage.
- a) Some new products and services, are illustrative of (i) only:
- Example:** a change from VCDs to DVDs was illustrative of better technology, better picture quality, audio and visual; it involved no behavioral changes within consumers; there was just a technological change in the construction of the product.
- b) Other new products and services, are illustrative of (ii) only:
- Example:** the introduction of two wheelers for women, do not essentially signify much of technological change in the two wheeler, but have encouraged women to buy and use scooties.
- c) Still other illustrate (i) as well as (ii):
- Example:** the cell phones, with the GPRS, the 3G etc, not only illustrate a change in technology, but also involve considerable behavioral change; consumers can make call, access emails and internet while on move from anywhere they want.

#### 4.5.3 Classification of New Product Innovations

Based on varying perspectives and orientations, new products have been variously classified. The most commonly used classification has been proposed by Thomas S. Robertson. Based on the two dimensions that have been discussed above, technological and behavioral, Robertson has classified the new products and innovations into three categories, viz., continuous innovations, dynamically continuous innovations, and discontinuous innovations.



**a) Continuous innovations**

- A continuous innovation is one that entails modification over an existing product; it is illustrative of little technological change, but requires no behavioral change on the part of the consumer for product usage, consumption and resultant experiences.
- The technology used to manufacture the new product is not different from the one that produced the original or already existing product; and, the consumer does not have to adopt a new purchase, usage and consumption pattern to use it.
- **Example:** all line extensions, or product variants (new form, size, flavor etc.); For example, various flavors of Amul Chocolate are line extensions of the original Amul Milk Chocolate.
- **Other examples:** laser printers replacing earlier versions; a change from VCDs to DVDs was illustrative of better technology, better picture quality.

**b) Dynamically continuous innovations**

- An innovation is regarded as dynamically continuous, when it includes some technological change in the product, but requires no behavioral change on the part of the consumer for product usage, consumption and resultant experiences.
- The technological change is brought either to increase efficiency, or provide greater value to the consumer.
- **Example:** the walkman giving way to the portable CD player, or the semi-automatic washing machine giving way to the fully automatic one.

**c) Discontinuous innovations**

- On a continuum, they fall as most radical; they are truly “innovative” in the sense that they are technologically superior, and also require considerable behavioral change within consumers with respect to purchase and usage patterns.
- The technology used to manufacture the new product is different from the one that produced the original or already existing product; and, the consumer has to adopt a new purchase, usage and consumption pattern to use it.
- **Example,** the telephone giving way to the mobile phone, or the 3G and GPRS providing email access while on move as against email access on the computer/laptop.

#### 4.5.4 Diffusion of Innovation and Adoption

There are two issues that a marketer needs to address while launch of new products and services,

- i) whether the modified/new product and service offering would be accepted by the segment(s)
- ii) how quickly would the product and service offering be accepted by the segment(s).

The two issues are dealt with within the purview of "Diffusion of Innovation." "Diffusion" is regarded as a macro process that deals with the spread of a new product or service offering amongst the potential market; it relates to the acceptance/rejection of an innovation by the segment(s). "Adoption", on the other hand is a micro concept that lays emphasis on the various phases or stages through an individual consumer passes while accepting/rejecting a new product or service offering.

##### Diffusion Process

"Diffusion" is defined as a macro process that deals with the spread of a new product or service offering amongst the potential market; it relates to the acceptance/rejection of an innovation by the segment(s). "Diffusion of Innovation" is defined as a process by which an innovation spreads amongst and gets the absorbed/accepted or assimilated by the market.

Schiffman defines "diffusion", as "the process by which the acceptance of an innovation (a new product, new service, new idea, or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time". The definition comprises four basic elements of the diffusion process:

1. **Innovation:** the term "innovation" refers to the newness of the product/service offering.
2. **Channels of Communication: this includes**
  - i) Marketing communication that takes place between the marketer and the potential market, or the target segment; it could be personal (salesperson and consumer) or impersonal (via print or audio visual media).
  - ii) Interpersonal communication that takes place between the consumers themselves or within members of the target segment(s); it could be word of mouth communication within consumers or through an opinion leader.

### 3. Social System

This refers to the social setting in which the diffusion takes place; it actually refers to the market segment(s) or the target market(s). The definition and scope of the social system depends on the product and service in question, its usefulness and its very basis for existence. In a way, it reflects the target market(s) for whom the product and service is designed, and within what segment(s), it would be diffused. For example, for a new herbal anti-wrinkle cream the social system, would be confined to ladies who are in their late 40s. The social system has wide repercussions on the diffusion of a product/service:

- i) First, the new product and service is discussed and or evaluated within members of the social system through interpersonal communication, opinion leadership and word-of-mouth.
- ii) Second, the philosophy and the resultant orientation, with respect to culture, traditions, values and norms also impacts the diffusion process. Thus, the social system impacts the ultimate adoption and assimilation of the innovative offering; in order to be accepted quickly and penetrate successfully, the marketer needs to keep this social system in mind and design the product and the marketing mix accordingly.

### 4. Time

Time is an important factor in the diffusion of innovation, as it determines the pace of adoption and resultant assimilation of the innovative offering; researchers have studied the impact of time in the following ways:

- i) **The amount of purchase time:** the amount of purchase time refers to the average time that a consumer would take to adopt a new product and service offering; this would include the total time between the consumers' initial awareness to the final acceptance/rejection of the new product or service. Time as a factor has relevance for the diffusion process in the sense that it helps assess the total time that it would take for a new product or service offering to get totally diffused and adopted by the market at large; when the average purchase time is less, it can be assumed that the rate of diffusion would be faster.
- ii) **The rate of adoption and the identification of adopter categories:**  
**Rate of adoption:** The rate of adoption refers to the period that it is taken for a new product or service to be accepted by the target market(s). It is a measure of how long it takes a new product or service offering to be adopted by the members of the target market.

With global advances in all respects, be it socio-economic, political, cultural and technological, the rate of adoption is getting faster. The marketer also aims at a rapid acceptance of his innovative offering, so that he can gain maximum advantage as a first-mover; thus he designs his marketing mix as per the needs of the segment(s), across international cultures and communities.

#### 4.5.5 Adopter categories

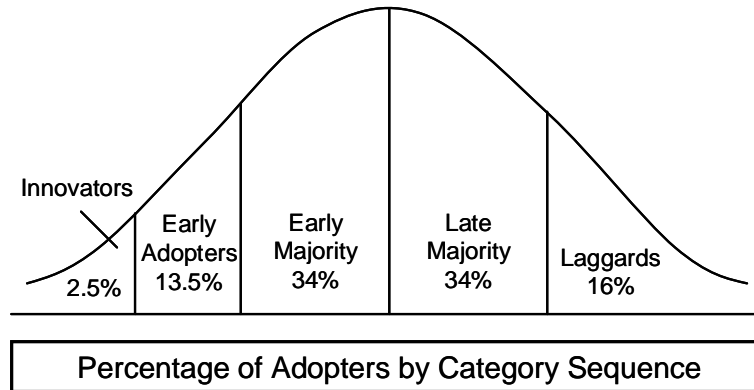
This refers to a classification scheme amongst members' of the target segment(s), which illustrates where one consumer stands in relation to another consumer with respect to time, that has lapsed between the introduction of the new product and service and the adoption by a consumer(s). Researchers have classified consumers into adopter and non-adopter categories, which range from two or three or five category classifications. It is noteworthy that the consumers would be classified based on the nature of the good or service.

Roger's has proposed a classification of adopters, according to which consumers can be divided into five categories based on the time taken by them to adopt a product. These five adopter categories are innovators, early adopters, early majority, late majority, and laggards. Based on research, it has been observed that the five categories when plotted on a graph, lead to a bell-shaped normal distribution curve (See Figure). The five categories are explained as follows:

- a) **Innovators:** Innovators comprise 2.5 percent of the target market(s) adopters; they are those consumers' who are the first to go and purchase a new product or service offering. They purchase the new product and service offering not because they possess a need, but because they desire new ideas and concepts, and seek product and service innovations. They are high on self-confidence, and are always eager to try out new products/services. They have access to information about such new offerings, and are quick to purchase; one, because they have the interest and inclination to buy the "new"; and two, because they have the purchasing power and the access. It is important to mention here, that innovators are not "generic"; they are in most cases "specific" to a product and service type.
- b) **Early adopters:** The next 13.5 percent of the target market(s) adopters are called early adopters. These are those consumers' who purchase the new product and service offering not because they are fascinated towards the "new", but because they possess a need. They generally tend to have

some idea on the product/service category, and after gathering some more information about the product and or brand, they go in for purchase. Early adopters rely on group norms and also turn out to be good opinion leaders, and could be easy targets for the marketer.

- c) **Early majority:** The early majority is similar to the early adopter in the sense that they buy the product/service offering because they possess a need and want to fulfill it; however, they are not as quick as the early adopters and take longer to enter into purchase. This is because unlike the earlier two categories, the early majority does not have much interest in the product/service category. Thus, the consumers that fall into this category have to collect information, evaluate it, deliberate carefully and then take a decision; thus, the process takes longer. The early majority make up the next 34 percent of the adopters.
- d) **Late majority:** The next 34 percent of the adopters are referred to as the late majority. They are referred to as "late," because i) members of their social class, reference group and peer group have already made the purchase; and the social influence is strong, and ii) they themselves have evaluated the new product and or service and are ready to buy it. They have a need, and after careful thought and deliberation as well as with social influence and pressure, the "late majority" makes the purchase. By nature they are skeptical and confirm to social pressure. Interpersonal communication has a major role to play.
- e) **Laggards:** The laggards are the last to adopt a new product or service offering, and as such make up the last 16 percent of the target market.  
They are slow in buying the innovative offering because
  - i) they are uninvolved with the product and service
  - ii) they do not possess much information
  - iii) they remain uninfluenced by social pressure, and social ties are not very strong
  - iv) they believe in making routine purchases and prefer to buy the "familiar", than the "unfamiliar".



**Figure : Classification of Adopters**

Roger's classification only includes the adopters; there also exist in the market a group of people who do not venture out into seeking a particular product or service, as it may not confirm to their culture, socio-economic class or they may not have the need for such a product/service. Such people fall into a class referred to as the non-adopters; a class that never adopts the new product/service, and in general comprises a very small portion of the entire population. Non-adopters may be classified into five categories, viz., the unaware group, symbolic rejectors, symbolic adopters, trail adopters and trial rejectors. The inclusion and study of the non-adopter category is crucial as it is reflective of reality, as not all consumers adopt all new product and service offerings.

- **Unaware group:** the non-adopters who are unaware about the new product or service offering.
- **Symbolic rejectors:** those among the non-adopters who are aware of the product but feel that it is not meant for them because it does not meet a need or does not conform to socio-economic cultural norms.
- **Symbolic adopters:** the symbolic adopters are aware of the innovative offering, and believe that the product or service may be of relevance for them, but they are yet to try the innovative offering.
- **Trail adopters:** such non-adopters have tried the innovative offering, but have not yet made a purchase; if they have made a trial purchase, they have yet not made a repurchase to confirm liking or habit formation.
- **Trial rejectors:** trial rejectors are those non-adopters who have tried the new product or service, but have not found it suitable; they have no intention in further purchase or repurchase.

#### 4.5.6 Adoption Process

The second major process in Diffusion of Innovation is "Adoption". Adoption is a micro concept that lays emphasis on the various phases or stages through an individual consumer passes while accepting/rejecting a new product or service offering. The study of adoption is important for a marketer in the sense that it helps him understand the various stages through which a consumer passes right from his initial awareness to the final acceptance/rejection. It may so happen that the innovative offering may be existing for long in the market, but the consumer is unaware of it; or, it may have existed in the market for long, but is regarded as "new" because the consumer has heard of it for the first time. This implies that consumers could differ in the manner they complete their purchase activity, right from initial awareness to the final act of purchase. This could mean that the marketer needs to design his selling strategy accordingly. Schiffman defines adoption as "the stages through which an individual consumer passes while arriving at a decision to try or not to try or to continue using or to discontinue using a new product".

Consumer researchers have proposed a number of models to describe the steps in the adoption process, viz., Hierarchy of Effects' Model, Robertson's model, and Roger's model (see table). The models explain the stages through which a prospect passes to end up being a consumer, right from the stage of initial awareness to final adoption.

Generally speaking, the consumer passes through five stages of adoption, viz., awareness, interest, evaluation, trial, and adoption (or rejection). The assumption underlying this general model of adoption is that when a new product/service is introduced, prospects go through an information search which could range between limited to extensive; of course, for some products this search is highly limited (routine purchases). The five stages are explained below:

- i) **Awareness** : This is the first stage in the adoption process, where the consumer is exposed to the new product/service offering, and gets to know of the product. The marketers' objective here is to provide some awareness about the innovation, the features and benefits as also the brand. The consumer is generally passive and acts as a mere recipient of information. He becomes aware but lacks sufficient knowledge about the new offering.
- ii) **Interest**: In this next stage, the consumer begins to develop some interest in the innovative offering, and thereby puts in some effort to know more about it. The consumer becomes active in his search for information and tries to elaborate on the information received at the awareness stage. He actively searches for information about the new product /service and tries to assess how it can benefit him.

**iii) Evaluation:** The consumer who has acquired knowledge about the innovation, now begins to evaluate; he evaluates whether

- (a) more information search is necessary with respect to the innovation as well as to the brand
- (b) he is sufficient with the product/service information that he possesses.

#### 4.5.7 Factors Affecting Diffusion of Innovation/Adoption Process

There are certain product and service characteristics that affect the diffusion process and can influence consumer acceptance of new products and services; the five factors that can impact the diffusion process, and the rate of adoption are relative advantage, compatibility, complexity, trialability, and observability.

- a) Relative advantage:** The relative advantage of the innovative product/service offering over already existing products/services, accelerates its rate of adoption by the target market. The degree to which customers perceive a new product/service as superior to similar existing products determines the relative advantage. A product/service that provides advantage over other existing products is indicative of being superior to existing alternatives, and thus higher in terms of "value".

The more radical a change, and the higher the relative advantage, the faster would be the diffusion. The relative advantage may lie in terms of it being a modified product (with better features, attributes, benefits, form etc), or at a lower price (better deals, discounts, terms of payment, warranty and exchange), or more accessible in terms of availability (physical store format, or virtual electronic format), or better communication. Thus, while product-based advantages are more attractive in nature, the other components of the marketing mix like price, place and promotion can also provide a basis for relative advantage. Examples of innovations that provide relative advantage are, flash drives versus compact discs, laptops versus computers, or digital libraries versus traditional libraries, ATMs versus bank teller counters.

- b) Compatibility:** The compatibility of the innovative product and service offering with the existing backgrounds, behavior and lifestyle patterns of consumers also affects its adoption by the consuming public. The compatibility of a product/service measures how closely it relates to needs, value systems and norms, lifestyles, culture etc. The higher the level of compatibility, the quicker the diffusion;



and the lower the compatibility, the slower the diffusion. A product will diffuse more quickly if it does not require consumers to change their values, norms, lifestyles, cultures and day to day behaviors. Continuous and dynamically continuous innovations are higher on compatibility than discontinuous innovations.

Fast food in the form of pizzas, burgers, noodles etc. took considerable amount of time to get diffused into the Indian society, as it contrasted heavily with the dal roti meal concept. The pace of adoption quickened in the 1990s and more so in the 2000s with the new generation, and their preference towards packaged foods and fast food. Another example that can be mentioned here is, coconut oil as a medium of cooking would be incompatible to people staying in North India. Even if positioned as "healthy and natural cooking medium", it would be slow to penetrate and may even fail if launched in North India. The same would penetrate easily in South India, as it is culturally more compatible.

- c) **Complexity:** The level of complexity in a product purchase and usage also affects the diffusion process. An innovative offering would be easily diffused when there is ease of understanding, purchase and use. The easier it is to understand and use a product, the more likely it is to be accepted quickly, and vice versa.

While speaking of complexity, technological complexity acts as a barrier to diffusion. People resist adoption of new products because of fear of complexity in purchase and usage. This is well understood by high tech industries.

Let us take the example of the electronic goods industry, eg microwave ovens or vacuum cleaners. While designing their communication, the marketer illustrates ease of use, so as to encourage quicker acceptance; prospects are provided with demos and trials; once purchased, arrangements are made for providing installation at home. Another example is the mobile phone industry; realizing the problem of complexity, simpler models are introduced for those who desire the mobile set just for making and receiving calls and sms'es.

It would be noteworthy to mention here that the youth are more techno savvy and have accepted electronic goods like MP3s and 4s, laptops, I-pods, ATMs etc much faster than the older generation. This is because the former have been able to deal with the complexity with a higher level of comfort than the older generation.

- d) **Trialability:** The ease with which the product or service can be tested and tried also determines the rate of acceptance. The higher the degree of trialability, the greater would be the rate of diffusion. This is because the prospects get an opportunity to try the product/service, assess it and decide to accept/reject it. Trialability can be encouraged by providing free samples, or providing smaller packs and smaller-than-average sizes, (for FMCG and household goods) or even through demos and test- runs (for consumer durables). Consumers could try out the innovative offering, evaluate it and then decide on a purchase commitment by accepting/rejecting it. Trials leading to purchase can be encouraged through guaranty and warranty schemes. Such trials encourage a product/service to be diffused easily.
- e) **Observability:** Observability refers to the ease with which the product can be observed. Observability in an innovative product refers to the degree to which a product/service's benefits can be observed, imagined and perceived by a potential consumer. The higher the degree of observability, the greater the chances of the innovative offering being accepted by the prospects.

Those new product offerings that are i) tangible, ii) have social visibility, and iii) whose benefits are readily observed (without much time gap), are more readily diffused than those that are intangible, or have no social visibility or whose benefits accumulate over long periods of time.

Thus, relative advantage, compatibility, complexity, trialability, and observability have an impact on the rate of diffusion. While all these factors relate to the product, they are dependent on consumer perception. A product/service offering that is relatively superior to existing ones, is more compatible to existing consumption behavior and usage, is less complex, easy to use and observable, is more likely to be purchased quickly by the public, than when it is not.

#### 4.5.8 Barriers to the Diffusion of Innovation / Adoption Process

There are also certain factors that negatively affect diffusion of innovation and subsequently the adoption process. These barriers have been dealt with extensively by consumer researchers and incorporated even in models on innovation resistance. They could range at the micro level from product characteristics, to the more macro, socio-cultural, economic, situational and technological forces.

While product characteristics like relative advantage, compatibility, trialability, and observability, do boost the rate of diffusion and adoption, perceived complexity in purchase and usage of innovative offerings, retard the process. Innovations could also meet resistance from socio-cultural, economic, situational and technological forces. The innovative offering may not be compatible with social norms, values and lifestyle; or may not go well with the economic strata; or be technologically complex, leading to fear to usage, obsolescence and risk. The basic barriers to the diffusion process and subsequent adoption are usage, value, risk and psychological factors.

- a) **Usage:** "Usage" as a barrier to innovation diffusion and adoption is said to exist when the social system (the target market) finds it incompatible to the existing usage and consumption behaviors and thus, finds it difficult to accept and use; in other words, they find it to be incompatible with their existing behaviors. The barrier is more psychological, based on deep rooted values, beliefs, attitudes and perception, resultant in such behavior of non-acceptance and non-usage. For example, people are often reluctant to enter into online monetary transactions for fear of loss of privacy and fraud.

Communication from the marketer based on rational and informational may not be sufficient to overcome such a barrier; he would need to use credible spokespersons, celebrities and experts to motivate people to change their existing lifestyle patterns and resultant behavior, and adopt the innovation.

- b) **Value:** Consumers could also resist acceptance of an innovation, as they may feel low about the perceived value; consumers may perceive the new product/service offering to be the same as existing offerings, and "nothing new" or "better in value." For example, while assessing mobile charges, people compare the post-paid plans with the pre-paid plans in terms of rental as well as call charges, and conclude that the former are cheaper, inspite of rental being high.

The perceived lack of value may be i) the product/service does not provide much benefit over the existing alternatives; ii) the product/service is costly, and doesn't seem to be of worth the price.

Consumers' perception of "high price" always takes over the perception over product value or product benefit; in fact, value is always assessed in terms of price; Also, price is a "catchy" issue than the benefits attached; price appears more tangible, than benefits; and, consumers generally tend to know more quickly about price, than they do about the benefits that the product brings along with it.

- c) **Risk:** Risk also acts as a barrier to diffusion of innovation. Consumers show reluctance to use an innovative product/service offering out of fear of taking risks. There could be six types of risks that a consumer could face, viz., functional risk (would the product perform as expected), physical risk (would the product usage and or consumption pose a threat), social risk (would it cause risk of social embarrassment), financial risk (would the product will be worth the cost), psychological risk (would the innovation hurt consumers' ego), and time risk (would it lead to wastage of time spent while making the purchase).

The perceived risk barrier acts as a big barrier to the diffusion and adoption process; consumers are fearful of purchase, usage and consumption of innovative offerings, and thereby continue to patronize the existing alternatives, rather than adopt new ones (for fear of making a wrong decision).

In order to overcome this problem, the marketers could make use of both marketing communication (via audio-visual or print media, or company salespersons), as well as interpersonal communication (opinion leadership, word-of-mouth communication). Trials (free or discounted) as well as interpersonal communication with peers, colleagues and friends can also encourage personal experience by the consumer and help overcome this risk,

- d) **Psychological factors:** Psychological factors also prevent a consumer from adopting a new product/service offering. These factors relate to a person's background, attitude and belief, perception, values, lifestyles, culture etc. They may find the innovation to be psychologically threatening.

<p style="text-align: center;"><b>UNIT V</b></p>	<p><b>Consumerism and Ethics:</b> Roots of Consumerism, Consumer Safety, Consumer Information, Consumer Responsibilities, Marketer responses to consumer issues, Marketing Ethics towards Consumers.</p>
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## 5.1 CONSUMERISM AND ETHICS

Consumerism is a social movement of citizens and government to enhance the rights and powers of buyers in relation to sellers.

### Definition of Consumerism

**According to Cravens and Hills,** "Consumerism is a social force within these environment designed to aid and protect the consumerism by exerting legal, moral and economic pressures on business.

**According to Philip Kotler,** "A social movement seeking to augment the rights and powers of the buyers in relation to sellers."

**According to Mrs. Virginia K Knaner,** "Let the seller beware" in comparison to the old age CAVEAT EMPTOR or "Let the buyer beware."

Consumerism refer to the widening range of activities of business organisations, Government and other independent organisations that are designed to protect individuals from policies that infringe upon the rights of the consumers. Consumerism is the activity of safeguarding the consumer right.

The movement focuses on inferior and dangerous merchandise, unfair business practices and false or misleading advertisements. (Unfair practices by businessmen abound.)

### Role of Consumerism

#### 1. Consumer Education

The consumer is given information about various consumer goods and services. This relates to prices, what the consumer can expect, standard trade practices, etc.

**2. Product Rating**

In order to guide the consumer in his/her choice of products, some of the agencies carry out tests and submit reports on them.

**3. Liaison with Government and with Producers**

Another important role of consumer organisation is to maintain liaison with producers on the one hand and Government authorities on the other. As Government is the key factor in meeting most consumer needs in India, organisations need to realize that they have a larger role in this direction, especially in India.

**Importance / Significance of Consumerism****1. Improvement in Supply**

Hoarding and black marketing by traders results in shortage of supply. With the help of support of consumers the Producers will be able to minimize the imperfections on the distribution front.

**2. No Unfair Trade Practices**

When consumers are strong enough to protect their rights, the producers will not take consumers for granted which will compel producers to shun unfair trade practices.

**3. Better Relation with Consumers**

Producers can better understand consumer needs and wants as consumerism will provide feedback for the business which ultimately leads to cordial relations between producer and consumer.

**4. Better Support of Government**

Consumerism will make government more quick and responsive to consumer interest and thus will take statutory measures and both legal redressal machinery will be provided to protect Consumer rights.

**5. Educating Consumer**

A well organized consumerism helps in giving information about various goods and services like practices, what the consumer can expect, etc., to consumer.

## **6. Liason with Government and Producers**

As government is the key factor in meeting most consumer needs in India, the consumer organisations try to maintain liaison with Producers on one hand and Government authorities on the other hand, which ultimately benefits consumer as well.

## **7. Producer Rating**

Industry today is investing more on testing the safety of products. Consumer movements tend to focus on questions with regard to safety, comparative cost effectiveness, etc. In order to guide the consumer in his choice of products some of agencies carry out tests and submit reports on them.

## **5.2 ROOTS OF CONSUMERISM**

There are numerous underlying roots of consumerism in United States. The enduring problems which underline the movement have been summarized as follows:

### **1. Disillusionment with the System**

All of our institutions have been subjected to increasing public scrutiny, skepticism, and loss of esteem. Many consumers think that they get a worse deal in the marketplace than they used to. Thus, there is dissatisfaction with their bargaining position.

### **2. The Performance Gap**

Many consumers express broad dissatisfaction with the goods they buy. Their expectations of product performance and reliability have risen (largely because of advertising touting.)

### **3. The Consumer Information Gap**

Amateur buyers lacking the time, interest, or capacity to process information adequately in order to make optimal marketplace decisions face literally thousands of complex products requiring evaluations along many dimensions relating to performance, convenience, or even societal concerns.

### **4. Antagonism toward Advertising**

Large segments of the population are very skeptical of the usefulness and truthfulness of advertising information. In addition, it is criticized for its intrusiveness and clutter, irritation factor, stereotyped role portrayals, and promotion of unrealistic or unsupportable expectations. Telemarketing calls are a related annoyance.

**5. Impersonal and Unresponsive Marketing Institutions**

Such marketing factors as the rise of self-service relating, reduced knowledge of sales employees, computerized impersonalness, and bureaucratic structures are contributors to a feeling that no marketer is listening.

**6. Instructions of Privacy**

Development of the many consumer-information data bases made possible under our increasingly computerized society has caused concern over the access to and use of such data and has led to attempts to protect the consumer's privacy.

**7. Declining Living Standards**

Recent reductions in consumers' real discretionary incomes have led to pessimism and disenchantment with the economic system and attempts to deal with the situation.

**8. Special Problems of the Disadvantaged**

The young, the old, and the poor are even more vulnerable than most other groups in society and face great difficulties coping in the marketplace.

**9. Different Views of the Marketplace**

Business people and their critics have radically different perceptions of the nature of the marketplace.

**5.3 PROBLEMS FACED BY INDIAN CONSUMERS**

The following problems being faced by Indian Consumers call for effective state intervention and well organized and dynamic consumerism to protect the rights of consumer.

**1. Illiteracy**

Majority of Indian Consumers have low literacy levels because of which they are not conscious of their rights. This encourages businessmen to act irresponsible and take advantage of unfair trade practices.

**2. Short Supply**

Shortage of goods and services, especially of essential items is the most serious problem being faced by Indian Consumer. This problem further gets aggravated with all associated evils of Profiteering, hoarding and black marketing, corruption, nepotism and arrogance towards consumers.



**3. Unfamiliarity**

Indian consumer is not very much familiar with many products, in advanced countries quite familiar. This encourages and makes easier for trader to sell substandard, inferior or even defective products.

**4. Lack of Competition**

Effective competition depends upon general availability of essential information to consumer. Consumer can not influence the behavior of sellers possessing the capacity to survive and grow. Effective competition cannot be expected to obtain in Indian Markets where sellers are few in number, capital requirements are so large, and the pressure of fixed charges so strong that even the threat of price competition, will lead to collusive understanding among members of trade. So we can not find effective competition in Indian Market.

**5. Number of Legal Formalities**

Legal process in India is so time consuming and cumbersome that it discourages the consumer from seeking redressal of their grievance by means of judicial process.

**6. Poor Performance of Public Sector**

Consumer welfare being main objective of Public sector. Poor performance of Public Sector monopolies has affected the consumer badly. Though public sector has been developed and expanded to serve the public interest by providing effective competition to the Private sector but it has yet to produce benefits in favor of consumer as such Electricity consumers are compelled to pay service charge for the services they hardly receive.

**7. Not very Organized Consumerism**

Only well organized and dynamic consumerism may be expected to produce good results. Consumerism in India is not well organized and developed. Consumers in advanced countries are much more conscious of their rights than in country like India.

**8. Non Implementation of Laws**

Though there are number of laws to safeguard the interests of consumers, they are not effectively implemented and enforced to achieve the objectives.

Keeping in mind the above problems the government needs to take effective measure to protect rights of consumers.

## 5.4 CONSUMERISM IN INDIA

In the words of Peter F. Drucker, the father of management science "Consumerism is the shame of the total marketing concept". Every organisation should take marketing decisions keeping in mind the company's requirements, the consumers long term interests and lastly the society's long run interests. Neglecting the consumers and the society's long term interests will not only prove to be a disservice but also giving cause to raise the wrath of the consumerists.

So it would be preferable if companies recognize societal problems as presenting opportunities. As stated by Peter Drucker "Consumerism actually should be, must be and I hope will be the opportunity of marketing. This is what we in marketing have been waiting for."

In India, as a developing economy, it is felt the plight of the consumers are not different from that of their counterparts, in the rest of the world. In spite of the fact that not all the Indian consumers are well educated and hence, unable to comprehend and understand the complex methods of marketing, they are also exploited and very often become victims of false claims for products, misled to deceptive advertisements, misled by packaging, poor after sales service and so on.

Because of the above felt abuses, there is observed and seen in growing consumer awareness leading to the growth of consumerism and an increasing demand for consumer protection in India.

There are several problems faced by the Indian consumers, thus making it necessary to have an effective and more involvement from the government and consumer movements to safeguard the consumer rights. The factors responsible for the sad plight of Indian consumers are given here under:

### 1. Imbalance in Demand and Supply

Very often, India faces a severe imbalance in the demand and supply of essential commodities. This has produced evils in the form of hoarding and black marketing profiteering, corruption, nepotism, red tapism, irresponsibility and arrogance while dealing with consumers.

### 2. Low Literacy Levels

With low literacy levels and incorrect and unsatisfactory information generated, many of the Indian consumers are not consciously aware of their rights. This further encourages businessmen to develop indifferent attitudes and behavior towards their consumers.

**3. Perfect and Imperfect Market**

Though the market is flooded with many goods and services, there is seen an imperfect and ineffective competition. For instance, in a perfect (competition) market, the buyer may be in a position to substitute one product for another with visible differences in the quality, service and price of the products.

But in the existing scenario, apart from the lack of general essential information, there are very few sellers available in the market, who can keep the competition alive and also work to avoid the threat of potential competition by offering equally good alternative products and services to consumers.

**4. Information about New Product**

In the absence of proper information and unfamiliarity with some of the new product features, consumers, at times, become easy victims and accept substandard, inferior to even defective products.

**5. Infancy Stage**

Consumerism is still in its infancy stage and hence not well organized and developed as in the developed countries.

**6. Legal Complexity**

The legal framework and system in India is a time consuming and tiresome process. Thus consumers are hesitant to seek redressal of their grievances by taking the help of the judiciary.

**7. Public Sector Undertakings**

The government had started the public sector undertaking to serve the public interest by providing effective competition to the private sector, increase production, etc. However, these units have yet to produce benefits that will commensurate with the investment.

The basic objective behind investing and encouraging the growth of public sector was to encourage the concept of consumer welfare. But as far as performance is concerned, many of the public sector monopolies are making the life of consumers miserable.

**8. Implementation of Existing Laws**

The existing laws which have been framed to protect and safeguard the interest of the consumers at large, are not being effectively implemented and enforced to achieve the said objectives.

From the above discussions we can see that many of the above pitfalls can be removed if active participation is there from the business, government and consumers.

## 5.5 CONSUMER PROTECTION / SAFETY

For effective consumer protection/safety, a practical response on the part of three parties viz., the business, the government and the consumers, is essential.

**Firstly**, the business, comprising the producers and all the elements of the distribution channels, has to play due regard to consumer rights. The producer has an inescapable responsibility to ensure efficiency in production and the quality of output.

**Secondly**, the Government has to come the rescue of the helpless consumer to prevent him from being misled, deceived, cheated and exploited. The motive of private gain tempts business to maximize income by socially undesirable trade practices; and this calls for government intervention.

**Thirdly**, consumers should accept consumerism as a means of asserting and enjoying their rights. Consumerism should be accessed in making the business and the government more responsive to the rights of the consumers.

### Cost of Consumer Protection / Safety

Consumer no doubt needs protection against business malpractices. But too much protection is not advisable as it has cost implications. Consumer protection costs may be defined in three ways:

#### 1. Economic Costs

Economic costs are connected with the defending charges of regulatory agencies and cost of manufacturing consumer safety devices such as safety belts, pollution control devices and built-in safety measures. The economic costs are passed on to the consumers through increased prices of goods and services.

#### 2. Social Costs

More severe are the social costs which reflect themselves in at least three ways. First is the loss of freedom of choice to the buyer. Increased protection means that the consumer depends more on the system, thus depriving him of an opportunity of making a choice, no matter if mistakes are committed in the process.

Mistakes, it is said, are a part of growth. Secondly, increased protection results in the proliferation of government agencies which upsets pluralistic balance. Finally, the fear of product liability discourages innovation.

### 3. Opportunity Costs

A third category of consumer protection cost is opportunity costs. These costs arise from the organising the social priorities. "Resources used for one purpose make them unavailable for other use." Observe Keith Davis and Blomstorm, "Disproportionate concern with consumer protection may divert attention and resources away from social problems which should have equal or perhaps greater priority."

### Right to Safety

From a trade and industry perspective, consumers should be protected against production processes, products and services that are dangerous to health or life.

**This means that the Government, business and civil society must ensure :**

- 1) Safety and quality standards for goods and services.
- 2) Facilities for testing and certification for safety, quality and performance of essential consumer goods and services.
- 3) Those policies are put in place for manufacturers to recall, replace, modify, substitute or compensate for defective or dangerous products.

Consumer right to safety is as vast its purview as the market reach itself. It applies to all possible consumption patterns and to all goods and services. In the context of the new market economy and rapid technological advances affecting the market, the right to safety has become a pre-requisite quality in all products and services. For example, some Indian products carry the ISI mark, which is a symbol of satisfactory quality of a product.

### Role of the Government in Consumer Safety

Most of the governments have recognized that the following specific rights and expectations of consumers may need regulatory protection.

1. **Safety of Goods for Consumption** : For example, substances, chemicals, additives, perfumes and colors, etc., added to food.
2. **Disclosure of Facts on Goods and Services Offered** : For example, information to be provided on labels.
3. **Correctness of Quantity** : For example, weights and measures, providing information on net and gross weights, etc.

4. **Correctness of Quality** : For example, compliance to standards that is applicable.
5. **Prevention of Wrong Claims** : For example, regulation of untenable and deceptive advertisement and description.
6. **Prevention of Price Deceptions** : For example, regulation regarding Maximum Retail Price to be printed on packaged goods.

### Independent Regulation Agencies

Most governments found it necessary to entrust the task of regulation to an independent authority for each type of regulation. The reasons are :

- 1) Since the government also has roles as a producer or consumer it cannot be the arbiter atleast in such cases.
- 2) Expertise would be necessary to interpret the regulation and to arbitrate in disputes in particular areas. Neither the executive branch of the government nor even the judiciary can be expected to have the exact expertise that may be needed.
- 3) Representation may have to be given to producers as well as consumers to be on the arbiting body, the regulating agency so that fair interests are protected.

In democratic countries, a large number of these regulation agencies have come to stay. They have been doing commendable work in enforcing regulation as prevention rather than cure. Traditions have been built by those agencies even to cover grey areas not precisely defined in the regulatory laws.

For example, the Federal Communications Commission, (FCC) USA has not only structured the growth of communications and defined the ground rules for competition in the giant industry segment but also set certain technical standards which are globally respected and specified for equipments.

For example, if you buy an electrical buzzer in Bangladesh and see the printed label that announces a compliance to FCC, you are sure that the equipment will not cause any radio or television interference when used anywhere in the world.

It is difficult to list out all the agencies involved in regulation in all the countries, but the illustrative list given below for USA and India will show the type of regulations in place and the agencies involved.

## USA

Needless to say USA is the best example of the Government handing over regulation functions to independent agencies. The following are some of the agencies and the very name indicate the area regulated by the agency.

CPSC - Consumer Products Safety Commission

FDA - Food and Drug Administration

SEC - Securities and Exchange Commission

EPA - Environmental Protection Agency

FCC - Federal Communications Commission

FTC - Federal Trade Commission.

The last mentioned namely, FTC does not have its title or name disclose fully the type of regulating and overseeing it does. In fact it is perhaps the most important agency for consumer protection. It is empowered even to regulate the substance of commercial communications and conditions. It has vast powers to define and regulate unfair or deceptive advertisements. It can demand substantiating of any claims by the advertiser on safety of a product, relative quality/performance and even comparative prices.

In several situations FTC has not only stopped deceptive advertisements but also ordered and brought the advertiser to the humiliation of running corrective advertisements repeatedly over a long period of time.

## India

India is a typical example where, in theory of consumer protection is an avowed objective of the state and democratic governments elected from time. A very consumer friendly legislation also exists and is being made friendlier. In practice, however, India has been a tough place for the consumer.

The trouble was that the country was high on bureaucracy, and administrations, which till recently have been blind to the fact that producers and traders are more empowered than consumers. They hardly took note of consumer rights and could always dodge their responsibilities with impunity. The Indian judicial system was excellent but in the face of official apathy and the slow dispensation of justice, the consumers were having a raw deal.

## 5.6 CONSUMER INFORMATION

Consumer behaviour is the study of when, why, how, and where people do or do not buy product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer behaviour study is based on consumer buying behaviour, where as the customer playing the three distinct roles of user, payer and buyer. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalisation, customisation and one-to-one marketing. Social functions can be categorized into social choices and welfare functions.

Each method for vote counting is assumed as a social function but if Arrow's possibility theorem is used for a social function, social welfare function is achieved. Some specifications of the social functions are decisiveness, neutrality, anonymity, monotonicity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously.

The most important characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer

### Sources of Information search

Once the consumer has recognised a problem, they search for information on products and services that can solve that problem. Belch and Belch (2007) explain that consumers undertake both an internal (memory) and an external search.

### Sources of information include

- Personal sources
- Commercial sources
- Public sources
- Personal experiences



The relevant internal psychological process that is associated with information search is perception. Perception is defined as 'the process by which an individual receives, selects, organises, and interprets information to create a meaningful picture of the world'

#### **The selective perception process**

- In selective exposure, consumers select which promotional messages they will expose themselves to.
- Selective attention consumers select which promotional messages they will pay attention to
- Selective comprehension consumer interpret messages in line with their beliefs, attitudes, motives and experiences
- Selective retention consumers remember messages that are more meaningful or important to them

The implications of this process help develop an effective promotional strategy, and select which sources of information are more effective for the brand.

### **5.7 CONSUMER RESPONSIBILITIES**

Various efforts have been made by government and non-government organisations to protect the interest of consumer but exploitation of consumer will stop only when consumer himself will come forward to safeguard his own interest. Consumers have to bear some responsibilities which are given below:

#### **1. Consumer must Exercise his Right**

Under Consumer Protection Act the consumer is granted various rights such as right to safety, right to choose, right to be heard etc. but these rights will be useful only when consumer exercises these rights. The consumer must select the product according to his preferences, he must file a complaint if he is not satisfied with the quality of product, he must be aware of his rights and exercise them whenever required.

#### **2. Cautious Consumer**

The consumer should not blindly believe on the words of seller. He must insist on getting full information on the quality, quantity, utility, price etc. of the goods or services.

**3. Filing Complaints for the Redressal of Genuine Grievances**

Most of the time consumer ignores the loss he suffers on purchase of defective good or service but this attitude of not filing complaint encourages the corrupt businessmen to supply low standard or defective goods and services.

The consumer must file a complaint even for a small loss. This awareness among consumers will make the sellers more conscious to supply quality product. Whenever consumer is filing a complaint it must be genuine. The consumer should not exaggerate the loss or defects of goods.

**4. Consumer must be Quality-Conscious**

The problems of supply of substandard goods, adulterated products and duplicate products can be solved only when consumer himself stops compromising the quality of product. While purchasing the goods or services consumer must look for quality marks such as ISI mark, Agmark, ISO, Wool Mark, etc.

**5. Do not be carried away by Advertisements**

The advertisements often exaggerate the qualities or features of product or service. The consumer must compare the actual use of product with the use shown in advertisement and whenever there is any discrepancy or difference it must be brought to the notice of sponsor of advertisement and insist to stop showing exaggerated qualities.

**6. Insist on Cash Memo**

To file a complaint the consumer needs the evidence of purchase, and cash memo is the evidence or proof that consumer has paid for the goods or service. A seller is bound to give a cash memo even if buyer does not ask for it. To file a complaint and get compensation the consumer must ask for cash memo.

7. Form consumer societies which could play an active part in educating consumers and safeguarding their interest.
8. Respect the environment; avoid waste littering and contribution to pollution.
9. Discourage black marketing, hoarding and choose only legal goods and services.
10. Be aware of variety of goods and services available in market.

### General Responsibilities of Consumers

1. **The Responsibility to be aware** of the quality and safety of goods and services before purchasing.
2. **The Responsibility to gather** all the information and facts available about a product or service as well as to keep abreast of changes and innovations in the marketplace.
3. **The Responsibility to Think Independently** and make choices about well considered needs and wants.
4. **The Responsibility to Speak Out**, to inform manufacturers and governments of needs and wants.
5. **The Responsibility to Complain** and inform business and other consumers of dissatisfaction with a product or service in a fair and honest manner.
6. **The Responsibility to be an Ethical Consumer** and to be fair by not engaging in dishonest practices which cost all consumers money.
7. **The Responsibility to Respect the Environment** and avoid waste, littering and contribution to pollution.

## 5.8 MARKETER RESPONSES TO CONSUMER ISSUES

### Understanding the Issues

Many marketers are not aware of the issues and just how unfavorable situations are perceived to be by few consumers. Business people usually cite three possible defensive positions regarding consumer protection issues:

- i) The number and seriousness of consumer problems suffered by the general population is not significant.
- ii) Only a small, vocal minority of consumers complain about the problems they experience with products and services, and
- iii) The great majority of those complaints which are registered about products and services are resolved to the satisfaction of the consumer.

Data from a nationwide of households do not support these contentions, however. Instead, there appears to be a need for the private sector to upgrade its complaint-handling capabilities.

Additional evidence indicates that consumers and business people are not on the same wavelength with regard to their perception of consumer problems and solutions. A report comparing opinions of executives and consumers on various consumer issue across several studies showed much consistency and indicated that a larger number of consumers degree with executives about various issues.

Moreover, consumers lack confidence in advertising and look to government intervention to improve it.

This suggests that business must educate the public about the operation of the marketing system, the benefits of free enterprise, and the limitations of government intervention. Business also need to assess and modify their policies and practices in order to improve products and services offered to consumers.

### **Designing a Consumer Response System**

But what does a company do? How should it respond to consumerism? First, companies should realize that the consumer is not a threat but an opportunity – an opportunity because a satisfied customer is a repeat customer.

Next, a program must be developed which will allow the company to communicate effectively with its customers and the public, including government. There are numerous activities that businesses could adopt in responding to consumers. The important thing is that the company must be proactive rather than reactive in its approach. In other words, the firm must manage its consumer-response system. First, the company should conduct a consumer audit to determine its image among consumers and whether there is any need for change in its activities.

Research on the public's image of the company should lead to an understanding of whether the company is viewed as progressive, honest, ethical, concerned, responsible, and responsive. Once consumer research identifies specific concerns, then the firm should formulate policies for dealing effectively with consumerism. A successful effort comprises several important elements:

#### **1. Understanding what Consumers Experience**

Many executives are often not familiar with the world of the ordinary consumer. For example, the executives may not shop in the same places, and they are likely not to feel as much pressure from inflation as do the company's customers. Managers are often isolated in a corporate "cocoon" where they are shielded from contact with their customers. It is necessary to break out of this cocoon and interact with buyers.

As a result, many managers have begun riding repair trucks, answering telephones, waiting on shoppers, and standing in lines to seek out consumers' opinions and experience firsthand what their customer's experience. Thus, managers themselves must first be educated to what is their "real-life" customer feels in the marketplace. It is beneficial if this can be obtained firsthand; however, it can also be obtained secondhand.

**2. Establishing a Consumer Advisory Board**

These customer councils are composed of a cross-section of perhaps ten to twenty of a firm's customers who meet every few months as a group with company executives to express their views, offer suggestions, react to company proposals, and listen to explanations of corporate conditions.

**3. Listening to Consumers and Responding Effectively**

The public now finds it easier to complain, question, or compliment. Complaints may come not only from dissatisfied users of the product but also from those who are satisfied users of the product, non-users of the product, and even non-purchasers of the product.

Complaints from consumers to companies are one of the most important marketing assets available. They are useful because they alert the company to a grievance that could lead to litigation or a government inquiry, and they act as an early warning system of problems whose quick solution could avert further complaints, brand switching, bad publicity, or product recalls.

Companies could actively solicit complaints by putting toll-free telephone numbers on packages and labels, for instance, and instructing consumers to call immediately with any problems they encounter. Such information may lead to improvements in the physical product, its packaging, advertising, distribution, and in quality control programs of the company.

**4. Establishing a Corporate Consumer Affairs Unit**

Part of the successful response necessary to the consumerism movement involves the company's making appropriate organizational changes. The establishment of a division for consumer affairs may be very beneficial to the company's relations with customers. Such a division could identify corporate practices that are perceived as deceptive or antagonistic by consumers. Review of such practices and resolution of problems would be conducted.

Moreover, this group could have significant input to all corporate decisions having consumer implications. Consumer affairs units succeed, however, only when top management appreciates their involvement and welcomes their special perspective in planning marketing decisions. Generally, the consumer affairs unit might have the following functions:

- a) Resolve and analyze customer communication.
- b) Develop and disseminate better information to consumers on the purchase and use of company products or services.
- c) Serve as an internal consumer advocate and consultant.
- d) Provide a liaison with consumer organisations.

### 5. Educating Consumers

Another area in which corporations may aid consumers is through education of the consumer that is, providing them with greater knowledge about to be effective consumers. Most of the consumers receive little education or training in how to shop wisely or manage their money intelligently.

As a result, of a recent study of high school seniors concluded, is that many aren't well prepared to make knowledgeable consumer decisions. Doing more to remedy this situation would serve consumers' long-run interests better than increased legislation would. There are several benefits of consumer education to individuals, business, and society.

Among the benefits to individual consumers are to educate

- a) Encourages critical thinking, which helps the consumer functions more efficiently in the marketplace.
- b) Imparts life skills which contribute to access in everyday living;
- c) Fosters broadly accepted values; and
- d) Improves the quality of life.

The benefits to business include :

- a) Customer satisfaction,
- b) Creation of realistic expectations of products and services; and
- c) An increase in sales.

**Society benefits** because consumer education:

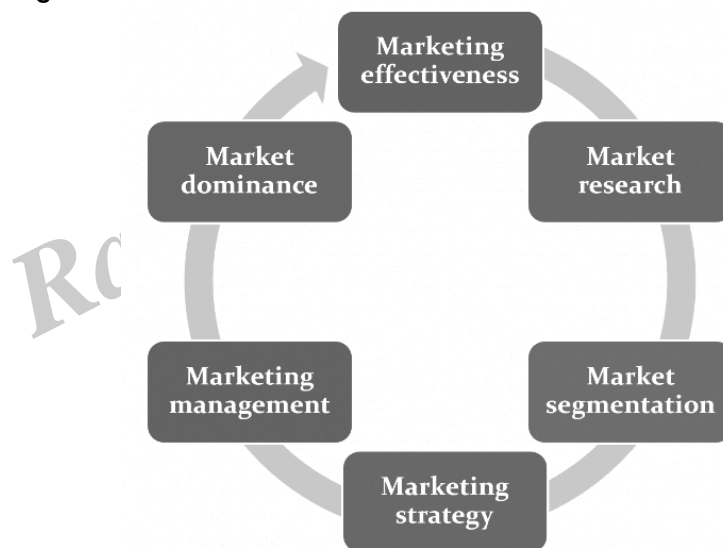
- a) Encourages citizen awareness education:
- b) Promotes a stable society.

## 5.9 MARKETING ETHICS TOWARDS CONSUMERS

Ethical marketing refers to the application of marketing ethics into the marketing process. Marketing ethics has the potential to benefit society as a whole, both in the short- and long-term. Study of Ethical marketing should be included in applied ethics and involves examination of whether or not an honest and factual representation. Marketing ethics has influenced companies and their response is to market their products in a more socially responsible way. The increasing trend of fair trade is an example of the impact of ethical marketing.

The philosophy of marketing is not lost with this newfound ethical slant, but rather hopes to win customer loyalty. Ethical marketing should not be confused with government regulations brought into force to improve consumer welfare. Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. Some areas of marketing ethics overlap with media ethics.

### Marketing Ethics Includes



### Ethical Issues in Marketing towards Consumers

Ethical problems in marketing stem from conflicts and disagreements. Each party in a marketing transaction brings a set of expectations regarding how the business relationship will exist and how transactions should be conducted. Each facet of marketing has ethical danger points as discussed below.

**1. Market Research**

Some ethical problems in market research are the invasion of privacy and stereotyping. The latter occurs because any analysis of real populations needs to make approximations and place individuals into groups. However, if conducted irresponsibly, stereotyping can lead to a variety of ethically undesirable results.

**2. Market Audience**

Selective marketing is used to discourage demand from so-called undesirable market sectors or disenfranchise them altogether. Examples of unethical market exclusion are past industry attitudes to the gay, ethnic minority, and plus-size markets.

Another ethical issue relates to vulnerable audiences in emerging markets in developing countries, as the public there may not be sufficiently aware of skilled marketing ploys.

**3. Ethics in Advertising and Promotion**

In the 1940s and 1950s, tobacco used to be advertised as promoting health. Today an advertiser who fails to tell the truth offends against morality in addition to the law. However the law permits puffery (a legal term). The difference between mere puffery and fraud is a slippery slope.

Sexual innuendo is a mainstay of advertising content, and yet is also regarded as a form of sexual harassment. Violence is an issue especially for children's advertising and advertising likely to be seen by children.

The advertising of certain products may strongly offend some people while being of interest to others. Examples include: feminine hygiene products as well as hemorrhoid and constipation medication. The advertising of condoms has become acceptable in the interests of AIDS-prevention, but are nevertheless seen by some as promoting promiscuity.

Through negative advertising techniques, the advertiser highlights the disadvantages of competitor products rather than the advantages of their own. These methods are especially used in politics.

**4. Delivery Channels**

Direct marketing is the most controversial of advertising channels, particularly when approaches are unsolicited. TV commercials and direct mail are common examples. Electronic spam and telemarketing push the borders of ethics and legality more strongly.

**5. Deceptive Advertising and Ethics**

Deceptive marketing is not specific to one target market, and can sometimes go unnoticed by the public. There are several ways in which deceptive marketing can be presented to consumers; one of these methods is accomplished through



the use of humor. Humor provides an escape or relief from some kind of human constraint, and some advertisers intend to take advantage of this by deceptively advertising a product that can potentially alleviate that constraint through humor.

**6. Anti-competitive Practices**

Bait and switch is a form of fraud where customers are “baited” by advertising for a product or service at a low price; second, the customers discover that the advertised good is not available and are “switched” to a costlier product.

Planned obsolescence is a policy of designing a product with a limited useful life, so it will become unfashionable or no longer functional after a certain period of time and put the consumer under pressure to purchase again.

A pyramid scheme is a non-sustainable business model that involves promising participants payment or services, primarily for enrolling other people into the scheme, rather than supplying any real investment or sale of products or services to the public .

**7. Pyramid Scheme**

This business practice relies on getting the initial investor or “captain” to enroll others for a fee to them who in turn will also enroll others in order to get paid.

**8. Pricing Ethics**

Bid rigging is a form of fraud in which a commercial contract is promised to one party, although for the sake of appearance several other parties also present a bid.

Predatory pricing is the practice of selling a product or service at a very low price, intending to drive competitors out of the market, or create barriers to entry for potential new competitors.

**9. Using Ethics as a Marketing Tactic**

Major corporations fear the damage to their image associated with press revelations of unethical practices. Marketers have been quick to perceive the market’s preference for ethical companies, often moving faster to take advantage of this shift in consumer taste. This results in the propagation of ethics itself as a selling point or a component of a corporate image.

Marketing ethics, regardless of the product offered or the market targeted, sets the guidelines for which good marketing is practiced. To market ethically and effectively one should be reminded that all marketing decisions and efforts are necessary to meet and suit the needs of customers, suppliers, and business partners. The mindset of many companies is that they are concerned for the population and the environment in which they do business. They feel that they have a social responsibility to people, places and things in their sphere of influence.

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## SHORT NOTES

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### UNIT - I

#### 1. Consumer Behaviour

Consumer Behaviour is the study of Individuals or Organisations and the activities undertaken by them to select, procure and use products or services to satisfy their needs and wants. In this unit, we will be studying the basics of consumer behaviour from a management perspective, along with an overview of the concepts of consumer orientation and the competitive advantages of such a practice.

#### 2. Segment Marketing

A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. For example, an auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury or safety.

#### 3. Niche Marketing

A niche is a more narrowly defined group, typically a small market whose needs are not well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distinctive mix of benefits. For example, the segment of heavy smokers includes those who are trying to stop smoking and those who don't care.

#### 4. Product Positioning

Product positioning involves a series of decisions and operations that target the generation and maintaining a certain image of the product in consumer's mind, related to the competitor brands.

A product's position includes the perceptions, opinions and feelings the customers have regarding the product, comparing it to the similar products in the market. Therefore, from different points of view, a product can have a lower or higher position compared to other competitor products.

#### 5. Product re-positioning

Sometimes during its existence, a company may notice that its products' image is outdated, or can be improved. Then the company starts re-positioning its

products in customer's perception.

Re-positioning consists in identifying a new, unoccupied market position and promoting the product based on the new criteria.

Re-positioning is suitable for minimizing company's own products' competition. The business is trying to make a difference in the way the consumers perceive the similar products they furnish.

Re-positioning requires a sustained promotional campaign and bring forward many risks.

## UNIT - II

### 1. Influence of Culture

Culture is everything that is socially learned and shared by the members of a society. Culture consists of material and non-material components. Non-material culture includes the words people use; the ideas, customs, and beliefs they share; and the habits they pursue.

Culture is "the sum total of learned beliefs, values and customs that serve to direct the consumers behavior of members of a particular society".

### 2. Cultural Values

The cultural values has been defined by Milton J Rokeach as "beliefs that a general state of existence is personally and socially worth striving for".

Rokeach believes the cultural values to be the terminal values or goals to be achieved or set. The values have also been divided into other category known as instrumental values which are the means for achievement of the desired goals.

### 3. Social class

Social class is 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 members of all other classes have either more or less status.

#### Social Class and Social Status

Social class is often measured in terms of status; that is, they define each social class by the amount of status the members of that class have in comparison with members of other social classes. In social-class research (sometimes called "social stratification"), status is frequently thought of as the relative rankings of members of each social class in terms of specific status factors.

**4. Social Group**

Consumer reference group is that group to which the consumer has close relationship and proximity and which the consumer uses for references and which effect the buying behavior of the consumer.

**5. Family**

Family is defined as two or more persons related by blood, marriage, or adoption who reside together.

Although families sometimes are referred to as households, not all households are families. For example, a household might include individuals who are not related by blood, marriage, or adoption, such as unmarried couples, family friends, roommates, or boarders. However, within the context of consumer behavior, households and families usually are treated as synonymous.

**UNIT - III****1. Personality**

The term personality has been derived from Latin word 'personare', which means 'to speak through'. Thus personality is used in terms of influencing others through external appearance. Sum total of ways in which an individual reacts and interacts with others.

Personality is an internalized system which includes all those aspects of a person that are inherited as well as those that are learned. These two internal aspects are interdependent and cannot be isolated.

**2. Trait Theory**

Trait is any distinguishing, relatively enduring way in which one individual differs from another. Personality is linked to how consumers make their choices or to consumption of a broad product category. The approach of the trait theory is basically empirical. It focuses on the measurement of personality through various qualitative techniques (e.g. self-reported experiences; personal observation; projective techniques) to point out certain individual differences in terms of specific traits.

**3. Self Concept**

Self-concept has been a very successful approach in investigating possible links between the way individuals see themselves and their behaviour as consumers.

The main advantage, compared to personality theories, is that consumers give descriptions of themselves and these are not made by outside observers. This is very important because the way a person sees is very different from how he is seen by anyone else.

The self-concept may be defined as the perception that one has of itself, not only in physical and psychological terms but also in terms of honesty, good humour, sophistication, justice, guilt, among others. However complex, is well organized and works in a consistent way. Self-concept is a fixed structure for two reasons:

1. The resists change (have a penchant for inaction);
2. After the establishment of it change becomes unlikely due to the perception of selected information from the environment.

#### **4. Consumer Motivation**

Consumer motivation is an internal state that drives people to identify and buy products or services that fulfill conscious and unconscious needs or desires. The fulfillment of those needs can then motivate them to make a repeat purchase or to find different goods and services to better fulfill those needs.

‘Motivation’ is derived from the word ‘motive’. Motive refers to the needs, wants, drives, impulses within individuals.

#### **5. Perception**

Perception is the process through which the information from outside environment is selected, received, organised and interpreted to make it meaningful to us.

Perception is the process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

#### **6. Sensation**

Sensation is the immediate and direct response of the sensory organs to stimuli. Sensitivity of a stimulus depends on the quality of sensory receptors, the amount of stimulus to which the individual is exposed, and the environment within which the perception takes place. The process of transforming any sensation is as shown in Exhibit.

**7. Attitudes**

An attitude is a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object.

The 'object'. The word 'object' in the above definition should be interpreted broadly to include any consumption or marketing related entities, such as a brand, a product, the product category, the service, possessions, the situation, the causes or issues, the consumer type, the advertisement, the Internet site, the price level, and the retailer.

**8. Consumer Learning**

Learning is the term used to describe the processes by which memory and behaviour are changed as a result of conscious and non-conscious information processing.

Learning is essential to the consumption process. In fact, consumer behaviour is largely learned behaviours. As illustrated in Figure below, people acquire most of their attitudes, values, tastes, behaviours, preferences, symbolic meanings, and feelings through learning. Culture and social class, through such institutions as schools and religious organisations, as well as family, friends, mass media, and advertising, provide learning experiences that greatly influence the type of life-style people seek and the products they consumer.

**9. Motives**

Motives arouse individuals' readiness to respond. Buying motives determine two things: what consumers want to do, and how much they want to do it. Motives may be difficult to identify but, basically, they have a pretty simple makeup. Motives have two key properties: direction and intensity. To market successfully, purchase motives first have to be directed towards, your goods. Second, the drive has to be strong enough so that people will act on it; they have to be willing to pay the price in terms of rupees, time, and effort.

**10. Information Acquisition**

The term information acquisition describes the set of activities or means by which consumers are exposed to various environmental stimuli and begin to process them. As mentioned in the overview, exposure occurs in two major ways: when consumers are motivated to actively seek information and when they passively receive these stimuli that are confronted in daily activities of the active search processes first.

## UNIT - IV

### 1. Problem Recognition

Problem recognition is the first stage in the consumer decision process and occurs whenever the consumer perceives a difference of sufficient magnitude between what is perceived as the desired state of affairs and what is the current state of affairs, enough to arouse and activate the decision process to achieve the desired or ideal state. The current state is the way a consumer perceives her/his feelings and situation to be at the present time and the desired state refers to the way a consumer wants to feel or be at the present time.

### 2. Post Purchase Dissonance

Consumers might get dissonant on buying decision. 'Cognitive Dissonance' takes place due to deviation between consumer's purchase decision and consumers prior evaluation. 'Post-purchase Dissonance' occurs when consumer faces certain problems with the purchased product or brand.

Dissonance theory is the outcome of two main principles. They are,

- People facing dissonance ignore those situations which give rise to more dissonance.
- Dissonance is embarrassing and persuade people to minimize the dissonance level.

### 3. The Nicosia Model

Marketing scholars have developed buyer behaviour models from point of view of marketing man. The significant models of them are Nicosia model and Howard Sheth model, they belong to systems model category. Systems model is the one in which human beings are considered as system, stimuli as input and behaviour as the output of the system.

The Nicosia model identifies a relationship between a firm and its consumer that how consumer and his buying decisions are effected by the activities of the firm. In Nicosia model, firm attract the customers towards the product then customer develop some feelings towards the product depending on situation. Customer begin to search and evaluate the product, if he is satisfied then makes the decision to buy.

**4. The Howard-Sheth Model**

The Howard-Sheth model was developed by John Howard and Jagdish Sheth in 1969. In this model, inputs are the incentive and output is the purchase decision. There are many variables between inputs and outputs which influence perception and learning. These variables are regarded as “hypothetical” as they cannot be evaluated at the time of their existence.

**5. Engel-Kollat-Blackwell Model (EKB)**

The Engel-Kollat-Blackwell model of consumer behaviour also known as the Engel-Black-Miniard model was originally designed to serve as framework for organizing the fast-growing body of knowledge concerning consumer behaviour. Like the Howard-Sheth model, it has gone through a number of revisions aimed at improving its descriptive ability and clarifying basic relationships between components and subcomponents.

**6. The Sheth New Man Cross Model**

The Sheth-Newman-Gross (SNG) model (1991) of consumption tries to explain ‘why’ consumers make the choices as they do. Compared to the other comprehensive consumer behaviour models, it highlights a series of specific measurements to understand the underlying consumer decision. Thus, this particular model is of practical relevance for segmenting any market. It concentrates on accessing consumption-relevant values that explain why consumers choose to buy or not to buy a specific product/brand over other possible alternatives.

**7. Early Adopters**

The next 13.5 percent of the target market(s) adopters are called early adopters. These are those consumers who purchase the new product and service offering not because they are fascinated towards the “new”, but because they possess a need. They generally tend to have some idea on the product/service category, and after gathering some more information about the product and or brand, they go in for purchase. Early adopters rely on group norms and also turn out to be good opinion leaders, and could be easy targets for the marketer.



**8. Early majority**

The early majority is similar to the early adopter in the sense that they buy the product/service offering because they possess a need and want to fulfill it; however, they are not as quick as the early adopters and take longer to enter into purchase. This is because unlike the earlier two categories, the early majority does not have much interest in the product/service category. Thus, the consumers that fall into this category have to collect information, evaluate it, deliberate carefully and then take a decision; thus, the process takes longer. The early majority make up the next 34 percent of the adopters.

**9. Late majority**

The next 34 percent of the adopters are referred to as the late majority. They are referred to as "late," because i) members of their social class, reference group and peer group have already made the purchase; and the social influence is strong, and ii) they themselves have evaluated the new product and or service and are ready to buy it. They have a need, and after careful thought and deliberation as well as with social influence and pressure, the "late majority" makes the purchase. By nature they are skeptical and confirm to social pressure. Interpersonal communication has a major role to play.

**10. Laggards**

The laggards are the last to adopt a new product or service offering, and as such make up the last 16 percent of the target market.

They are slow in buying the innovative offering because

- i) they are uninvolved with the product and service
- ii) they do not possess much information
- iii) they remain uninfluenced by social pressure, and social ties are not very strong
- iv) they believe in making routine purchases and prefer to buy the "familiar", than the "unfamiliar".

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**UNIT - V****1. Consumerism and Ethics**

Consumerism is a social movement of citizens and government to enhance the rights and powers of buyers in relation to sellers.

**According to Cravens and Hills,** "Consumerism is a social force within these environment designed to aid and protect the consumerism by exerting legal, moral and economic pressures on business.

**According to Philip Kotler,** "A social movement seeking to augment the rights and powers of the buyers in relation to sellers."

**2. Consumer Protection / Safety**

For effective consumer protection/safety, a practical response on the part of three parties viz., the business, the government and the consumers, is essential.

**Firstly,** the business, comprising the producers and all the elements of the distribution channels, has to play due regard to consumer rights. The producer has an inescapable responsibility to ensure efficiency in production and the quality of output.

**Secondly,** the Government has to come the rescue of the helpless consumer to prevent him from being misled, deceived, cheated and exploited. The motive of private gain tempts business to maximize income by socially undesirable trade practices; and this calls for government intervention.

**Thirdly,** consumers should accept consumerism as a means of asserting and enjoying their rights. Consumerism should be accessed in making the business and the government more responsive to the rights of the consumers.

**3. Delivery Channels**

Direct marketing is the most controversial of advertising channels, particularly when approaches are unsolicited. TV commercials and direct mail are common examples. Electronic spam and telemarketing push the borders of ethics and legality more strongly.

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD**

**M.B.A III - Semester Examination - (New Syllabus) R17**

**Model Paper - I**

**CONSUMER BEHAVIOUR**

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Time : 3 Hours]

[Max. Marks : 75

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**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 20 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 8 marks and may have a, b, c as sub questions.

**PART - A**

**(5 × 5 = 25 Marks)**

1. (a) Niche Marketing  
(b) Cultural Values  
(c) Perception  
(d) The Howard-Sheth Model  
(e) Consumerism and Ethics

**PART - B**

**(5 × 10 = 50 Marks)**

2. (a) What is the understanding consumer through research process.  
OR  
(b) Explain the role consumer behaviour in a world of economic instability.
3. (a) Explain the model of consumer behaviour?  
OR  
(b) Explain the factors affecting consumer behaviour.
4. (a) Discuss about personality concept.  
OR  
(b) Explain the consumer motivation.
5. (a) Explain the consumer decision making process.  
OR  
(b) What are the steps in purchasing process.
6. (a) What are the roots of consumerism.  
OR  
(b) Explain the consumer protection/safety.

***Solutions to Model Paper - I*****PART - A****(5 × 5 = 25Marks)****1. (a) Niche Marketing****Ans :**

Refer to Short Notes 3, Page No. 260

**(b) Cultural Values****Ans :**

Refer to Short Notes 2, Page No. 261

**(c) Perception****Ans :**

Refer to Short Notes 5, Page No. 263

**(d) The Howard-Sheth Model****Ans :**

Refer to Short Notes 4, Page No. 266

**(e) Consumerism and Ethics****Ans :**

Refer to Short Notes 1, Page No. 268

**PART - B****(5 × 10= 50 Marks)****2. (a) What is the understanding consumer through research process.****Ans :**

Refer to Unit - I, Page No. 5, Topic No. 1.2

**(b) Explain the role consumer behaviour in a world of economic instability.****Ans :**

Refer to Unit - I, Page No. 12, Topic No. 1.3

**OR**

**3. (a) Explain the model of consumer behaviour?**

**Ans :**

Refer to Unit - II, Page No. 52, Topic No. 2.1.1

**(b) Explain the factors affecting consumer behaviour.**

**Ans :**

Refer to Unit - II, Page No. 53, Topic No. 2.1.2

**4. (a) Discuss about personality concept.**

**Ans :**

Refer to Unit - III, Page No. 97, Topic No. 3.1

**(b) Explain the consumer motivation.**

**Ans :**

Refer to Unit - III, Page No. 109, Topic No. 3.3

**OR**

**5. (a) Explain the consumer decision making process.**

**Ans :**

Refer to Unit - IV, Page No. 172, Topic No. 4.1

**(b) What are the steps in purchasing process.**

**Ans :**

Refer to Unit - IV, Page No. 192, Topic No. 4.2

**6. (a) What are the roots of consumerism.**

**Ans :**

Refer to Unit - V, Page No. 240, Topic No. 5.2

**(b) Explain the consumer protection/safety.**

**Ans :**

Refer to Unit - V, Page No. 245, Topic No. 5.5

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD**  
**M.B.A III - Semester Examination - (New Syllabus) R17**  
**Model Paper - II**  
**CONSUMER BEHAVIOUR**

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Time : 3 Hours]

[Max. Marks : 75

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**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 20 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 8 marks and may have a, b, c as sub questions.

**PART - A**

**(5 × 5= 25Marks)**

1. (a) Product Positioning  
(b) Influence of Culture  
(c) Attitudes  
(d) Problem Recognition  
(e) Delivery Channels

**PART - B**

**(5 × 10= 50 Marks)**

2. (a ) Discuss about targeting.  
OR  
(b) Discuss about positioning.
3. (a) What is the influence of culture on consumer behaviour?  
OR  
(b) Discuss about cross cultural consumer behaviour?
4. (a) Discuss about consumer perception.  
OR  
(b) Explain the consumer learning.
5. (a) Explain the models of consumer decision making.  
OR  
(b) Discuss about consumers and the diffusion of innovations.
6. (a) What are the consumer responsibilities?  
OR  
(b) What is marketer responses to consumer issues.

***Solutions to Model Paper - II***

**PART - A**

**(5 × 5 = 25 Marks)**

**1. (a) Product Positioning**

**Ans :**

Refer to Short Notes 4, Page No. 260

**(b) Influence of Culture**

**Ans :**

Refer to Short Notes 1, Page No. 261

**(c) Attitudes**

**Ans :**

Refer to Short Notes 7, Page No. 264

**(d) Problem Recognition**

**Ans :**

Refer to Short Notes 1, Page No. 265

**(e) Delivery Channels**

**Ans :**

Refer to Short Notes 3, Page No. 268

**PART - B**

**(5 × 10= 50 Marks)**

**2. (a) Discuss about targeting.**

**Ans :**

Refer to Unit - I, Page No. 26, Topic No. 1.6

OR

**(b) Discuss about positioning.**

**Ans :**

Refer to Unit - I, Page No. 29, Topic No. 1.7

**3. (a) What is the influence of culture on consumer behaviour?**

**Ans :**

Refer to Unit - II, Page No.57, Topic No. 2.2.

OR

**(b) Discuss about cross cultural consumer behaviour?**

**Ans :**

Refer to Unit - II, Page No. 79, Topic No. 2.8.

**4. (a) Discuss about consumer perception.**

**Ans :**

Refer to Unit - III, Page No. 121, Topic No. 3.4

OR

**(b) Explain the consumer learning.**

**Ans :**

Refer to Unit - III, Page No. 148, Topic No. 3.6

**5. (a) Explain the models of consumer decision making.**

**Ans :**

Refer to Unit - IV, Page No. 206, Topic No. 4.4

OR

**(b) Discuss about consumers and the diffusion of innovations.**

**Ans :**

Refer to Unit - IV, Page No. 223, Topic No. 4.5

**6. (a) What are the consumer responsibilities?**

**Ans :**

Refer to Unit - V, Page No. 250, Topic No. 5.7

OR

**(b) What is marketer responses to consumer issues.**

**Ans :**

Refer to Unit - V, Page No. 252, Topic No. 5.8



**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD**

**M.B.A III - Semester Examination - (New Syllabus) R17**

**Model Paper - III**

**CONSUMER BEHAVIOUR**

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Time : 3 Hours]

[Max. Marks : 75

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**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 20 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 8 marks and may have a, b, c as sub questions.

**PART - A**

**(5 × 5= 25Marks)**

1. (a) Explain the consumer research process.
- (b) What is consumer learning ?
- (c) What is cross cultural consumer behaviour ?
- (d) What is post purchase evaluation ?
- (e) What are the responsibilities of consumers ?

**PART - B**

**(5 × 10= 50 Marks)**

2. What is consumer segmentation ? Discuss.

OR

3. Discuss about consumer behaviour and why study consumer behaviour.
4. What are the environmental influences on consumer behaviour ?

OR

5. What is social class ? How influence on consumer behaviour ?
6. What is personality and discuss ?

OR

7. Discuss about consumer perception.
8. What are steps involved in consumer decision making process ?

OR

9. What are the models of consumer decision making ?
10. What is consumerism and roots of consumerism ?

OR

11. What are the responses of marketers towards consumer issues ?

**Solutions to Model Paper****PART - A****(5 × 5= 25 Marks)**

1. (a) Explain the consumer research process.

Ans :

Refer to Unit - I, Page No. 5, Topic No. 1.2

- (b) What is consumer learning ?

Ans :

Refer to Unit - III, Page No. 148, Topic No. 3.6

- (c) What is cross cultural consumer behaviour ?

Ans :

Refer to Unit - II, Page No. 80, Topic No. 2.8

- (d) What is post purchase evaluation ?

Ans :

Refer to Unit - IV, Page No. 198, Topic No. 4.3.3

- (e) What are the responsibilities of consumers ?

Ans :

Refer to Unit - V, Page No. 250, Topic No. 5.7

**PART - B****(5 × 10= 50 Marks)**

2. What is consumer segmentation ? Discuss.

Ans :

Refer to Unit - I, Page No. 18, Topic No. 1.5

**OR**

3. Discuss about consumer behaviour and why study consumer behaviour.

Ans :

Refer to Unit - I, Page No. 1 and 4, Topic No. 1.1 and 1.1.3

4. What are the environmental influences on consumer behaviour ?

Ans :

Refer to Unit - II, Page No. 52, Topic No. 2.1

**OR**

**5. What is social class ? How influence on consumer behaviour ?**

**Ans :**

Refer to Unit - II, Page No. 69, Topic No. 2.4

**6. What is personality and discuss ?**

**Ans :**

Refer to Unit - III, Page No. 97, Topic No. 3.1

**OR**

**7. Discuss about consumer perception.**

**Ans :**

Refer to Unit - III, Page No. 121, Topic No. 3.4

**8. What are steps involved in consumer decision making process ?**

**Ans :**

Refer to Unit - IV, Page No. 172, Topic No. 4.1

**OR**

**9. What are the models of consumer decision making ?**

**Ans :**

Refer to Unit - IV, Page No. 206, Topic No. 4.4

**10. What is consumerism and roots of consumerism ?**

**Ans :**

Refer to Unit - V, Page No. 238 and 240, Topic No. 5.1 and 5.2

**OR**

**11. What are the responses of marketers towards consumer issues ?**

**Ans :**

Refer to Unit - V, Page No. 252, Topic No. 5.8