

## **[206MKT] – [Consumer Behavior]**

### **UNIT-I: Introduction to Consumer Behaviour**

Consumer behaviour can be said to be 'the study of how individuals make decisions on how to spend their available resources like time, money, efforts on various consumption related items'.

Marketer's every activity revolves around consumer to gauge their behaviour by finding answers to following questions:

Who buys products or services?

How do they buy product or services?

Where do they buy them?

How often do they buy them?

When do they buy them?

How often do they use them?

Consumer Behaviour is defined as the behaviour displayed by consumers in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs

The study of consumer behaviour is very relevant for marketers because information & knowledge of buyer motives & habits will enable them to draft suitable marketing programmes accordingly

#### **Study of Consumer Behaviour**

- Adopt a customer culture: Which incorporates customer satisfaction as an integral part of the company mission

- Follow the marketing concept: Where the organization plays a consultative role, helping consumers to select/identify products & services, which would best meet their needs
- Solicit support from the society: By focusing on serving its members through giving consumers the freedom of choice & catering to their needs & wants

### **Study of Consumer Behaviour**

- Psychology: Study of Individuals
- Sociology: The study of groups
- Socio-psychology: The study of how persons are influenced by groups
- Cultural Anthropology: The influence of the culture & society on the individual
- Economics: Relationship between demand & supply in the flow of marketing activity

### **• Distinction between the Terminologies**

- **Customer:** Someone who regularly purchases from a particular store or company
- **Consumer:** Anyone engaging in any of the activities of evaluating, acquiring, using or disposing of goods & services
- **Buyer:** The individual who actually makes the purchase transaction
- **User:** The person most directly involved in the consumption or use of the purchase

### **Who are organizational Buyers?**

In some ways organizational buying can be said to be similar to consumer buying as it is not an organization but people within it who are making the buying decisions. So apart from the business organizations, the government, educational institutions like universities, colleges, retail institutions, consulting firms, financial institutions like banks and nongovernment organizations can be addressed to as organizational customers and as it is a varied market, it will be a challenge for marketers to deal with their customized needs & wants

### **• Market Segmentation & Consumer Behaviour**

- Market segmentation is the process of dividing a heterogeneous market into homogenous sub units on the basis of some group characteristics

- **Why is it necessary?**

To understand the consumer

Categorizing the consumers on the basis of socio-economic status

• **Benefits of Market Segmentation:**

- Helps in distinguishing one customer group from another, selecting or choosing
- Helps to adapt the offerings to suit the target market's needs & tap it effectively
- Enables dividing the markets & conquering them
- Helps to make the marketing effort more efficient & economical
- Helps to identify & concentrate on less satisfied segments
- Helps customers too by getting offerings suitable to the needs of the particular segment

• **Criteria for selecting a market segment:**

- Identification
- Measurability
- Accessibility
- Substantiality
- Stability

• **Bases for segmenting Consumer Markets:**

- Geographic segmentation like rural, urban etc.
- Demographic segmentation like Age, Gender, Income etc.
- Psychographic segmentation like lifestyle, personality etc.
- Behaviouristic segmentation like use-related segmentation on usage rate, user status, brand loyalty etc.
- Benefit segmentation

• **Dimensions of Consumerism**

Consumerism means the evolving set of activities of government, business and independent organizations that are designed to protect the rights of consumers and protecting consumers from all organizations with which there is an exchange relationship.

Ex. Consumer issues associated with hospitals, libraries, schools, police force & other government agencies as well as with business firms

- **Roots of consumerism which leads to the movement:**

1. ***Disillusionment with the system:***

- Institutions subjected to increasing public scrutiny, skepticism & loss of esteem
- Consumers thinking that they are getting worse deal in the marketplace than they used to.
- Dissatisfaction with bargaining position
- Consumers hate politics, distrust business & feel pessimistic about their place in society

2. ***The performance gap:***

- Consumers expressing broad dissatisfaction with the goods bought
- Increased expectations about product performance & reliability
- Increased product complexity brings new possibilities for malfunction & consumer perception that the promise-performance gap is widening

3. ***The consumer information gap:***

- Buyers lacking time, interest or capacity to process information adequately to make optimal marketplace decisions
- Too many complex products requiring evaluations along many dimensions relating to performance, convenience or even societal concerns.

4. ***Antagonism toward advertising:***

- Large segments of population are very skeptical of the usefulness and truthfulness of advertising information.

- Intrusiveness, clutter, irritation factor, stereotyped role portrayals and promotion of unrealistic or unsupportable expectations
- People feeling annoyed with telemarketing calls

### ***5. Impersonal and unresponsive marketing institutions:***

Rise of self-service retailing, reduced knowledge of sales employees, computerized impersonalness and bureaucratic structures making consumers feel that no marketer is listening

### ***6. Intrusions of privacy:***

Development of consumer information databases causing concern over the access & use of it

### ***7. Declining living standards:***

Reduction in consumers' real discretionary income leading to pessimism with the economic system & attempt to deal with the situation

### ***8. Special problems of the disadvantaged:***

The poor, homeless, unemployed young and old people are more vulnerable & face great difficulties in coping in the marketplace

### ***9. Different views of the marketplace:***

Business people & their critics have radically different perceptions of the nature of the marketplace

## **Fundamental Rights of consumers:**

### ***1. The right to safety:***

To be protected against the marketing of goods which are hazardous to health or life.

### ***2. The right to be informed:***

To be protected against the fraudulent, deceitful or grossly misleading information, advertising, labeling or other practices, and to be given the facts needed to make an informed choice

**3. The right to choose:**

To be assured wherever possible, access to a variety of products & services at competitive prices; and in those industries in which competition is not workable and government regulation is substituted, an assurance of satisfactory quality & service at fair prices

**4. The right to be heard (Consumer Redress):**

To be assured that consumer interest will receive full & sympathetic consideration in the formulation of government policy, and fair and expeditious treatment in its administrative tribunals

**Two additional consumer rights:**

**5. Environmental Concerns:**

- Consumers are becoming environmentally / ecologically concerned
- Awareness amongst the consumers about the incessant use & exploitation of the earth's resources by corporate is rising
- Consumers are getting cautious while making buying decisions, affecting buying patterns & habits across the industrial products & services
- Consumers are becoming concerned about environmental damage caused by products & packaging; taking efforts for recycling of some products; changing their shopping & lifestyle; declining to buy certain products causing harm to the environment; willing to pay more for eco-friendly products, packaging & services

**6. Consumer Privacy:**

- Relates to privacy, information, data banks & similar emerging issues

- Timely, accurate & complete consumer information is needed by business & government, banks, retailers, commercial & mortgage lenders, financial service providers, direct response marketers, advertising agencies, insurance companies & public utilities
- Consumers' have become vulnerable due to disposal & exchange of their personal information physically and in recent days through various digital platforms & social media which could be misused in many possible ways. The privacy & security of the consumers is at stake whenever they exchange data / information through different interfaces

### **Marketers Responses to Consumer Issues:**

#### **1. Understanding the issues:**

#### **2. Designing a Consumer Response System:**

- Understanding what Consumers Experience
  - Establishing a Consumer Advisory Board
  - Listening to Consumers & Responding Effectively
  - Establishing a Corporate Consumer Affair Unit
  - Educating Consumers
- **Changing Patterns of Consumer Behaviour in Context of Evolving Indian Economy**
    - Consumers have become more aware, demanding and quality conscious
    - Liberalization and globalization has increased competition giving rise to consumer oriented products & marketing techniques
    - The overall costs are rising, prices are falling and profit margins are decreasing
    - Major factors for changing consumer behaviour are:
      - (a) Rapid urbanization leading to changes in the mindset of consumers
      - (b) Increasing income levels
      - (c) Shift in approach towards family systems

## **Macroeconomic Factors of Economy:**

- National Income
- Consumption
- Savings
- Investment
- Employment

## **Major Factors influencing Consumer Behaviour:**

- Cultural
- Social
- Personal
- Psychological

- **ICT & Changing Consumer Marketplace**

- Transition from Physical / Offline market to Online market, e-commerce, mobile e-commerce
- Consumers expect a seamless shopping experience that is personalized to them, consistent irrespective of the device used or their stage of buying process
- Features like adding items in a cart, creating a wish list, set reminders, alerts or push notifications for new product launches, introduction of new product features, price drops etc.
- Shopping has become a social activity
- Shoppers becoming their own salespeople
- E-commerce gives consumers access to information, ability to shop on different devices & option to share their experiences with others

- **Application of Consumer Behaviour in Marketing**

- Analyzing Market Opportunity
  - Selecting Target Market
  - Marketing Mix
  - Use in Social and Non-profit marketing & CSR
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## **UNIT-II: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

- **Consumer Personality**

Person's behaviour changes somewhat to deal with many different circumstances

There is a tendency to behave in a consistent manner throughout various situations

Unique characteristics that account for differences between individuals rather than on how people are alike

Consistency of an individual's dispositions rather than changes in his or her actual behaviour across different situations

Behavioural tendency to reflect how an individual's personality will tend to influence his or her actions and reactions to environmental situations

### **Self-Concept**

Each consumer describes his or her own view of himself or herself, which is in contrast to personality tests that fit consumer responses into predetermined categories or traits

### **Development of Self-concept**

#### **Self Appraisal**

A person fashions a self-concept by labeling his own dominant behaviour patterns according to what is socially acceptable & unacceptable behaviour

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**Reflected Appraisal / Looking-glass self**

Appraisals a person receives from others mould the self-concept

**Social Comparison**

People's self-concept depend on how they see themselves in relation to others

**Biased Scanning**

Views self-concept development in terms of identity aspirations and biased scanning of the environment for information to confirm how well the person is meeting his or her aspirations

**Self-Concept and Consumer Behaviour**

- Consumers' self-perceptions can have a strong influence on their behaviour in the marketplace
- **Ex.** The way an individual perceives various products could be affected by the image he has of himself

Preferences might actually develop for certain brands because the consumer perceives them as reflecting his own self-image

Certain other brands may be desired because the consumer views them as projecting an image that he presently does not possess but aspires to have

**Personality Theories**

**Freud's Psychoanalytic Personality Theory**

ID is the source of strong inborn drives & urges such as aggression and it acts on the 'pleasure principle'

It acts to avoid tension and seeks immediate pleasure

Many of its impulses are not acceptable to the values of organized society

When an individual is exhausted & hungry his *id* would urge him to grab something to eat. There would be no concern about how the food was acquired or whether it belonged to someone else

The 'ego' comes into being because of the limitations of the id in dealing with the real world

Through learning and experience, the ego develops the individual's capabilities of realistic thinking & ability to deal appropriately with his environment

It operates on the 'reality principle'

Although the hungry individual's id would encourage him to just take food away from his friend, the *ego* might reason that asking for the food may take longer but may also result in getting a greater portion

It constitutes the 'moral' part of the individual's psychic structure through internalizing the values of society

It represents the ideal by defining what is right and good and it influences the individual to strive for perfection

People often compliment their friends on their taste in selecting new clothes or other products

- ❖ **According to Freud, the individual's total personality develops and is defined by the relationships among the id, ego and superego**

### **Marketing Implication of Freud's Theory**

- ✓ Appeal to fantasy, which plays an important role in the operation of the pleasure principle of the id.
- ✓ Fantasy has been used in promotions for various products like perfumes, sports footwear, jeans etc

### **Social Theory / Neo-Freudian Theory**

Striving to overcome feeling of 'Inferiority'

Searching for ways to obtain love, security and brotherhood

Proposed by 'Karen Horney': *Individual Attempts To find solutions to his problems In Dealing with others in a social environment, Developing a personality By Acquiring Ten Major Needs*

- ▶ **Ten needs** were classified into three major orientations

### *Compliant Orientation*

- Love
- Approval
- Modesty
- Affection

### *Aggressive Orientation*

- Power
- Strength
- The ability to manipulate others

### *Detached Orientation*

- Independence
- Freedom
- Self-reliance

- ▶ 'Compliant' types prefer known brand names & use more mouthwash & toilet soaps
- ▶ 'Aggressive' types prefer to use razors instead of electric shavers, use more cologne & aftershave lotions & purchase Van Heusen shirts
- ▶ 'Detached' types appear to have the least awareness of brands & are less involved in purchasing than compliant & aggressive types

## Trait and Factor Theories

- ▶ Most popular personality concept
- ▶ Based on three assumptions or propositions

## **Assumptions or propositions of Trait & Factor Theory**

Individuals Possess Relatively stable Behavioral tendencies

People differ in the degree to which they possess these tendencies

When identified & measured, these relative differences between individuals are useful in characterizing their personalities

People who possess strong personality tend to prefer carbonated cold drinks based on degree of their tendencies or traits

People who possess a sporty personality tend to choose sports car models depending on the degree of their personality traits

## **Brand Personality**

- ▶ A set of human characteristics that are attributed to a brand name
- ▶ A brand personality is something to which the consumer can relate
- ▶ An effective brand increases its brand equity by having a consistent set of traits that a specific consumer segment enjoys
- ▶ It refers to brand personification

## What Leads To Brand Personality?

- Branding Strategies: The name, logo, colours, fonts and other branding strategies affect the brand personality
- Marketing Activities: Marketing activities like taglines, product packaging, and marketing communication strategies have a huge role in defining a brand's personality

### **Jennifer Aaker's Dimensions of Personality**

Ruggedness: Outdoorsy, Tough

Sophistication: Upper Class, Charming

Sincerity: Down-to-earth, Honest, Wholesome

Excitement: Daring, Spirited, Imaginative, Up-to-date

Competence: Reliable, Intelligent, Successful

### **Emotions & Consumer Behaviour**

- ▶ Emotions play an important role in everybody's decisions, often without us even realizing
- ▶ Consumers are very susceptible to emotional influences, which can change their decision making
- ▶ It can be very interesting for marketers as they can use every emotion as a marketing tool to strike a chord with the target audience
- ▶ Ex. Showing happy face in the morning to throw positive vibes, freshness & happiness by 'Colgate Fresh', inducing romantic / intimate emotions by 'Close-Up'

### **Negative Effects of emotions on consumer behaviour**

Anger: Angry, Frustrated, Irritated, Unfulfilled, Discontented, Envious Jealous

Fear: Scared, Afraid, Panicky, Nervous, Worried, Tense

Sadness: Depressed, Sad, Miserable, Helpless, Nostalgia, Guilty

Shame: Embarrassed, Ashamed, Humiliated

### **Positive Effect of emotions on consumer behaviour**

Contentment: Contented, Fulfilled, Peaceful

**Happiness:** Optimistic, Encouraged, Hopeful, Happy, Pleased, Joyful, Relieved, Thrilled, Enthusiastic

**Love:** Romantic, Passionate, Loving, Sentimental, Warm-hearted

**Pride**

- **CONSUMER PERCEPTION**

The process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world

Perception is how we see the world around us

**SENSATION:** immediate and direct response of the sensory organs to stimuli

**Stimulus** – any unit of input to any of the senses

**Eyes:** Bright lights or colours

**Ears:** Loud or piercing sounds

**Nose:** Strong odors or scents

**Tongue:** Spicy, salty or sweet flavors

**Skin:** Hot surfaces or painful contact

**Sensation:** is the immediate response of our sensory receptors (eyes, ears, nose, mouth and fingers) to basic stimuli (light, color, sound, odor and texture)

**Perception:** is the process by which sensations are selected, organized and interpreted

**Ex.** Listening to a ringing doorbell results into moving to open the door; listening to whirring ambulance siren makes us getting aside & making way for it; Flashing red light of traffic signal makes us stop; ringing telephone makes us pick it up to answer etc.

## Sensory Systems

**Sound:** Affects People's Feelings or Behavior

**Ex.** High Tempo gives more Stimulation whereas slower tempo is more relaxing

**Marketers use this to create a positive perception**

**Ex.** Music played at Gyms & Spa, Clinics, Malls, Multiplexes, Clubs/Pubs etc. sets the mood of the consumers

**Touch:** Is the most basic of senses; we learn this before vision and smell and affect product experience and judgment

**Taste:** Cultural changes determine desirable tastes

**Flavor houses develop new concoctions for consumer palates**

## Dynamics of Perception

**The Absolute Threshold**

**The Differential Threshold**

**The Subliminal Perception**

**Perceptual Selection, Organization, Interpretation**

### **The Absolute Threshold:**

The lowest level at which an individual can experience a sensation. Detecting difference between "Something and Nothing"

Absolute Threshold		
The weakest amount of a stimulus that a person can detect 50% of the time.		
Sight		Seeing a candle flame 30 miles away on a clear night
Hearing		Hearing a watch ticking 20 feet away
Touch		Feeling a bee's wing falling a distance of 1 cm onto your cheek
Smell		Smelling one drop of perfume in a three room house
Taste		Tasting one teaspoon of sugar dissolved in two gallons of water

**Sensory adaptation:** Getting used to senses. It is the diminished sensitivity to a stimulus as a consequence of constant exposure to that stimulus

**Ex.** People living by busy roads typically don't even notice that there is the sound of constant traffic outside

Smokers no longer notice the odor of cigarette smoke

### **Differential Threshold:**

The ability of a sensory system to detect changes or differences between two stimuli

Minimum difference between two stimuli is the "Just noticeable difference"

### **Marketing Applications:**

#### **Negative changes are not readily seen**

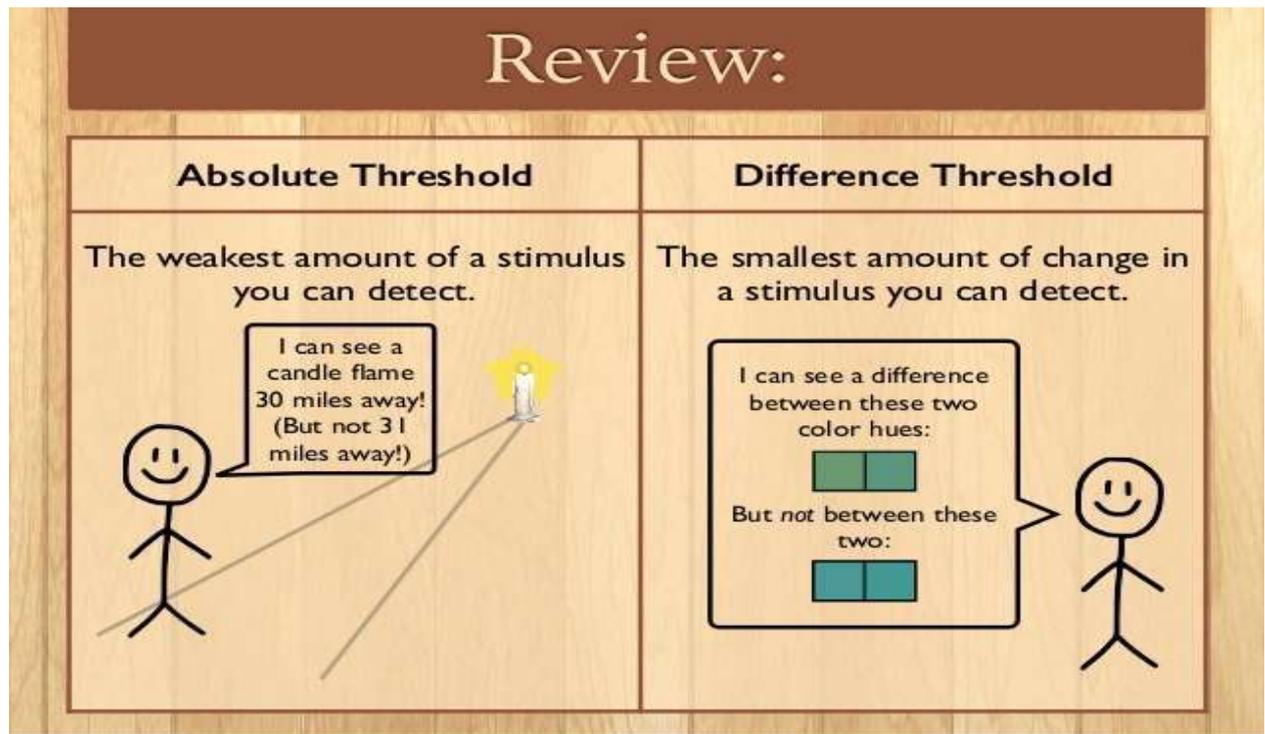
**Ex.** Price rise; Reduction in quantity

**Positive changes are clearly seen**

Packaging updates must be subtle enough over time to keep current customers

Ex. Changes in the logos of Ford, Shell, Coca Cola etc.

**Difference between Absolute & Differential Threshold**



**Subliminal Perception:**

Perception of a stimulus below their absolute threshold

Even though consumers may not see the message, they may register it

**Marketing Implications:**

It is not often used as an effective marketing tool as the variations among consumers in terms of their perceptual ability makes it difficult to implement advertising themes at low threshold level & lack of evidence of its effect on purchasing behaviour of consumers

## **The Perceptual Process**

Sequence of psychological steps that a person uses to organize and interpret information from the outside world

### **Three Components**

**Perceptual Selection**

**Perceptual Organization**

**Perceptual Interpretation**

## **Perceptual Selection or Selective Perception**

### **Selective exposure**

People look for pleasant messages & avoid threatening ones

People try to avoid any message that may go against their strong belief or attitude

**Ex.** Influence of TV; Use of social media, online transactions, smart phones etc.



### **Selective attention**

People will be selective in their choice of receiving various kinds of information for different products or services based on what interests them rather than the message content & selection of media



Advertisers use it through large ads, strategic placements, eye catching photos or graphics, videos like Adidas adv of 'Impossible is nothing'



**Perceptual Defense**

Individual being vigilant & screening out all those stimuli or elements which create conflict or may give rise to a threatening situation

**Warning messages on Tobacco or alcohol products**



**Perceptual Organization**

People see everything as a whole

**Gestalt Psychology**

**GROUPING: Proximity, Similarity, Closure, Good Continuation, Common Fate, Good Form**

These principles exist because the mind has an innate disposition to perceive patterns in the stimulus based on certain rules

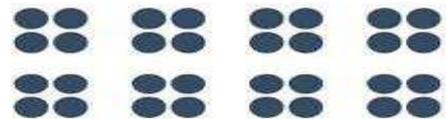
Humans naturally perceive objects as organized patterns and objects

**Proximity**

All else being equal, perception tends to group stimuli that are close together as part of the same object and stimuli that are far apart as two separate objects

## Law of Proximity

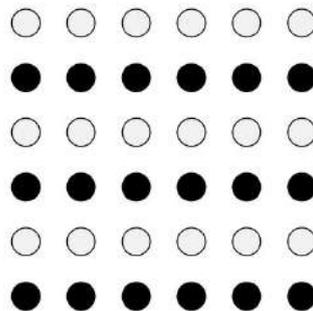
Objects that are near one another in space or time are perceived as belonging together.



lynda.com

### Similarity

All else being equal, perception lends itself to seeing stimuli that physically resemble each other as part of the same object, and stimuli that are different as part of a different object

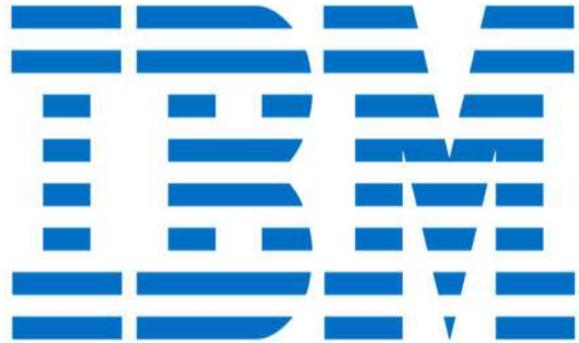


### Closure

Objects grouped together are seen as a whole

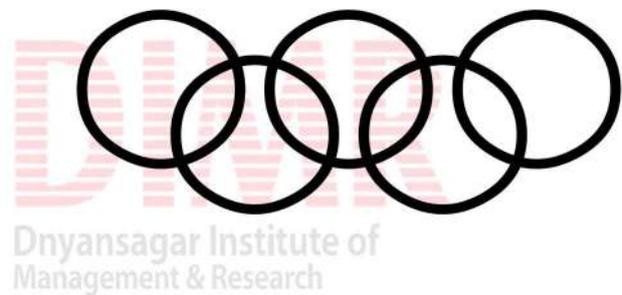
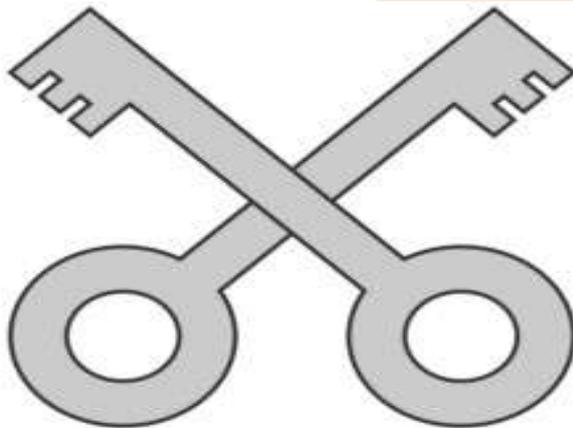
The mind's tendency to see complete figures or forms even if a picture is incomplete, partially hidden by other objects, or if part of the information needed to make a complete picture in our minds is missing

We tend to ignore gaps and complete contour lines. Our minds fill in the missing information to create familiar shapes and images



**Good Continuation**

When there is an intersection between two or more objects, people tend to perceive each object as a single uninterrupted object



**Common Fate**

When visual elements are seen moving in the same direction at the same rate (optical flow), perception associates the movement as part of the same stimulus. Ex. A visible swarm of honeybee moving away from a tree in certain direction

Law of Common Fate



Common Fate

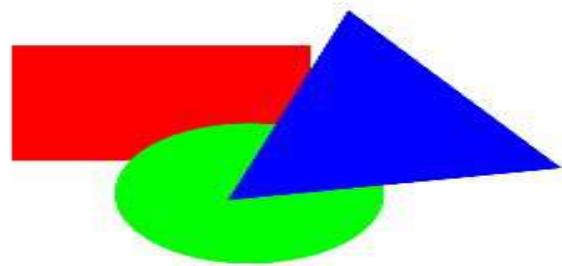
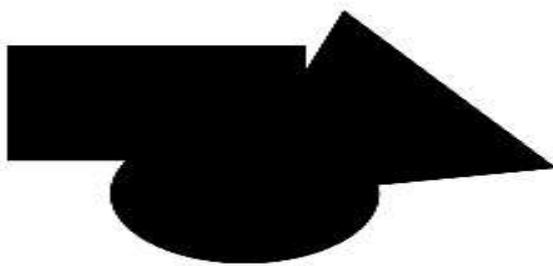


Gestalt Principles

<https://uxmialt.com>

### Good Form

The principle of good form refers to the tendency to group together forms of similar shape, pattern, color etc. Even in cases where two or more forms clearly overlap, the human brain interprets them in a way that allows people to differentiate different patterns and/or shapes



### Perceptual Interpretation

Dnyansagar Institute of  
Management & Research

Stimuli are often highly ambiguous or weak

### **Types of Perceptual Distortion**

Stereotypes

Physical Appearances

Descriptive Terms

First Impression

Halo Effect

## Perceptual Distortion

### Stereotypes

People carrying biased pictures in their minds of the meanings of various stimuli

People hold meaning related to stimuli

Stereotypes influence how stimuli are perceived



### Stereotype



5-16

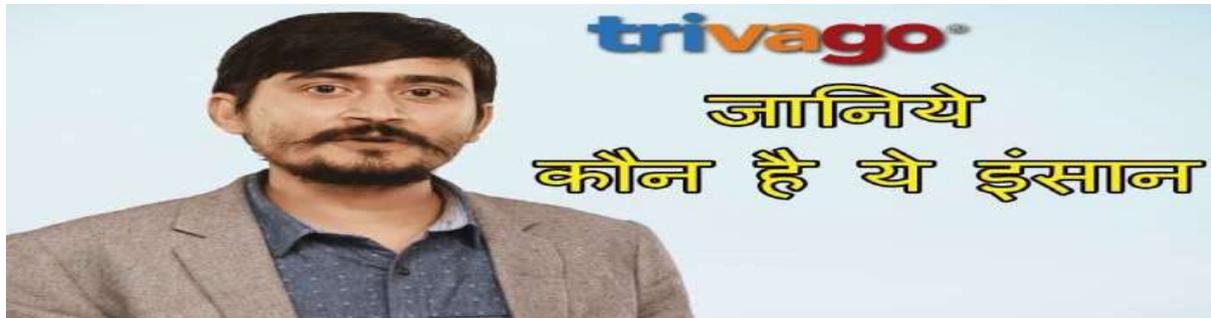
### Physical Appearance

People associate quality with people in the ads

Attractive models have positive influence



Average men are not considered as businessmen



Colors of juices

Descriptive Terms



Shape of the package

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Management & Research



**accenture**  
High performance. Delivered.

High performance delivered



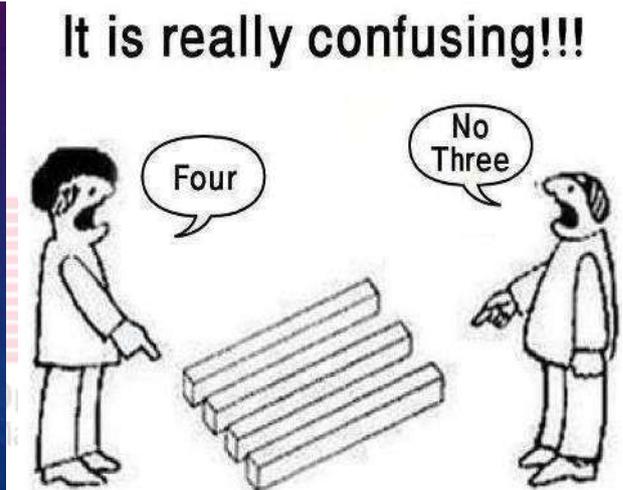
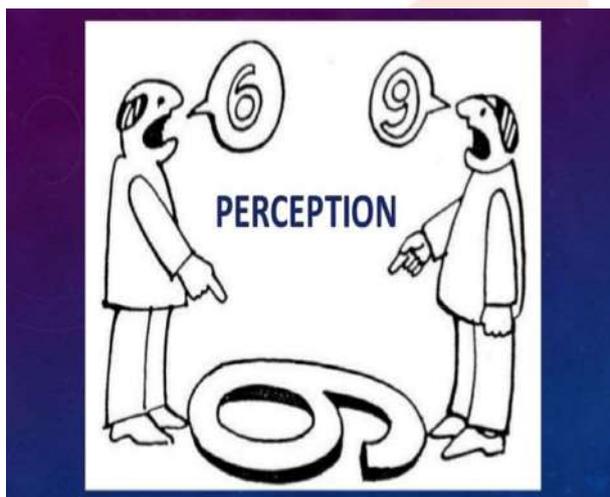
Spicy Chicken



**Happy Price**  
(Targeting Indians who are price conscious)

**First Impression**

The perceiver is trying to determine which stimuli are relevant, important or predictive



**First impressions last long**

**Halo Effect**

Consumers perceive & evaluate product or service or even product line based on just one dimension



**Quality**



**Safety**



**Music**

*Tampering the halo effect is detrimental to the organization*



**Important with spokesperson choice**

- **Consumer Imagery & Marketing Implications**

Price Perception

Product & Quality Perception

Risk Perception

**Price Perception**

Consumers have an acceptable price range, for a particular product, which shows a willingness to accept a range of prices

Marketers are concerned about the consumers' reference prices and the actual prices of the products or services available at the marketplace



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Consumers perceive value in brand when



*They are cost driven brands that is the brand costs less as compared to competing brands offering similar benefits*

## Premium Brands



*The product brands have certain unique benefits which offsets their premium prices that is they are referred to as value added benefits*

### **Product & Service Quality Perception**

Consumer's perception of quality is often based on his or her evaluation of a product's attributes

This is determined by certain physical cues such as taste, smell, size and shape

***Sometimes consumer is unable to judge the quality, by merely going on the basis of the product's physical characteristics:***

- (i) When the physical differences that exist between competing brands are not sufficient enough to penetrate across consumer's sensory thresholds
- (ii) When the consumer may not be sufficiently experienced to determine which product differentiation is more important

### **Risk Perception**

Perceived risk can be defined as the uncertainty experienced by consumers due to their inability to foresee the consequences of their purchase decisions

The perception of risk varies from person to person, depending on the individual, the type of product, the shopping method & the culture of the country

**Types of risk**

**Functional risk:** the perception that the product may not function well as expected

**Financial risk:** the risk that the product may not be worth its cost

**Physical risk:** the risk related to the physical characteristics or features of the product

**Social risk:** The risk of the product not being accepted by the society as a good choice

**Psychological risk:** the risk that the product choice may result in hurting & bringing down the morale & ego of the consumer

**Time risk:** the risk combined with the fear that the time spent in product search may be in vain if the product does not perform as expected

- **Consumer Learning, Memory & Involvement**

Learning is a relatively permanent change in behaviour occurring as a result of experience, though this change is not necessarily an improvement over previous behaviour

The process by which persons acquire the purchase & consumption knowledge & experience which they apply to future related behaviour is called consumer learning

**Consumer Learning**

**Intentional-**

*Acquired after deliberate attempt*

*Deliberate & careful search for information on the utility, benefits, purchase before purchase*

*Ex. Learning to use social media, digital payment apps*



**Incidental / Accidental**

*Acquired by accident without much effort*

*Individual learn about the brands, even if not consumed those*

*Ex. Learning through hearing, watching or reading advertisements*



**Components / Principal Elements of Learning**

*Drive*

*Motivation*

*Cues*

*Response*

*Reinforcement*

*Retention*

**Drive**

Any strong stimuli that impel action

Arouses an urge to respond to stimuli that increased probability of activity without actually specifying the nature of the activity

Drive forms the basis of motivation



## Motivation

Learning occurs because of motivation

The task before the marketer is to motivate consumers by using various marketing mix elements

Marketers can also involve the consumers in a learning process whereby they learn to associate their consumers' motives with the product or service offerings

But the marketers first have to establish the drives which will stimulate consumers' the most

**Ex.** A working woman saw her friend using a new washing machine or saw advertisement of new washing machines (which worked as drive) and is motivated to get all information related to washing machine like features (front or top loading), brands, prices, performance (quality, time saved)



Degree of involvement dependent on the consumer's level of motivation

## Cues

Cue stimuli can be any object existing in the environment, as perceived by the individual

If motives stimulate the learning process, it is the cues which serve the purpose for stimuli & gives direction to these motives

**Ex.** When a person is hungry he is guided by certain cues like restaurant signs or the aroma of the food cooking



The shopping environment is packed with cues, like promotions & product colours, packaging



### Response

A mental or physical activity the consumer makes in reaction to a stimulus situation

Responses appropriate to a particular situation are learned over time through experience in facing that situation

Hungry baby's most likely response would be 'crying' or 'sucking thumb' & least likely response would be 'eeping quiet'



Whereas a grown up kid's response would be a 'learned response' and he would be upset or angry if he doesn't get an ice-cream as he has got experience through exposure to the advertisements of ice-cream brand



**Experience through Exposure**

**Learned Response**

### Reinforcement

Anything that follows a response & increases the tendency for the response to reoccur in a similar situation

**Ex.** Domino's Pizza have been able to create positive reinforcement through their claim & delivery of the pizza in 30 minutes

When Domino's pizza is delivered in 30 minutes, the customer will be satisfied with it; hence customer 'learning' takes place leading to reinforced behaviour since his/her past experience is positive

### **Retention**

The stability of learned behaviour maintained by the individual over a period of time is called retention

**Ex.** When a lady receives a very good response on visiting a particular retail outlet for the first time, she will learn to positively respond by visiting this retail outlet again whenever the need arises

If she continues with this store patronage over a period of time, this learned behaviour is known as retention

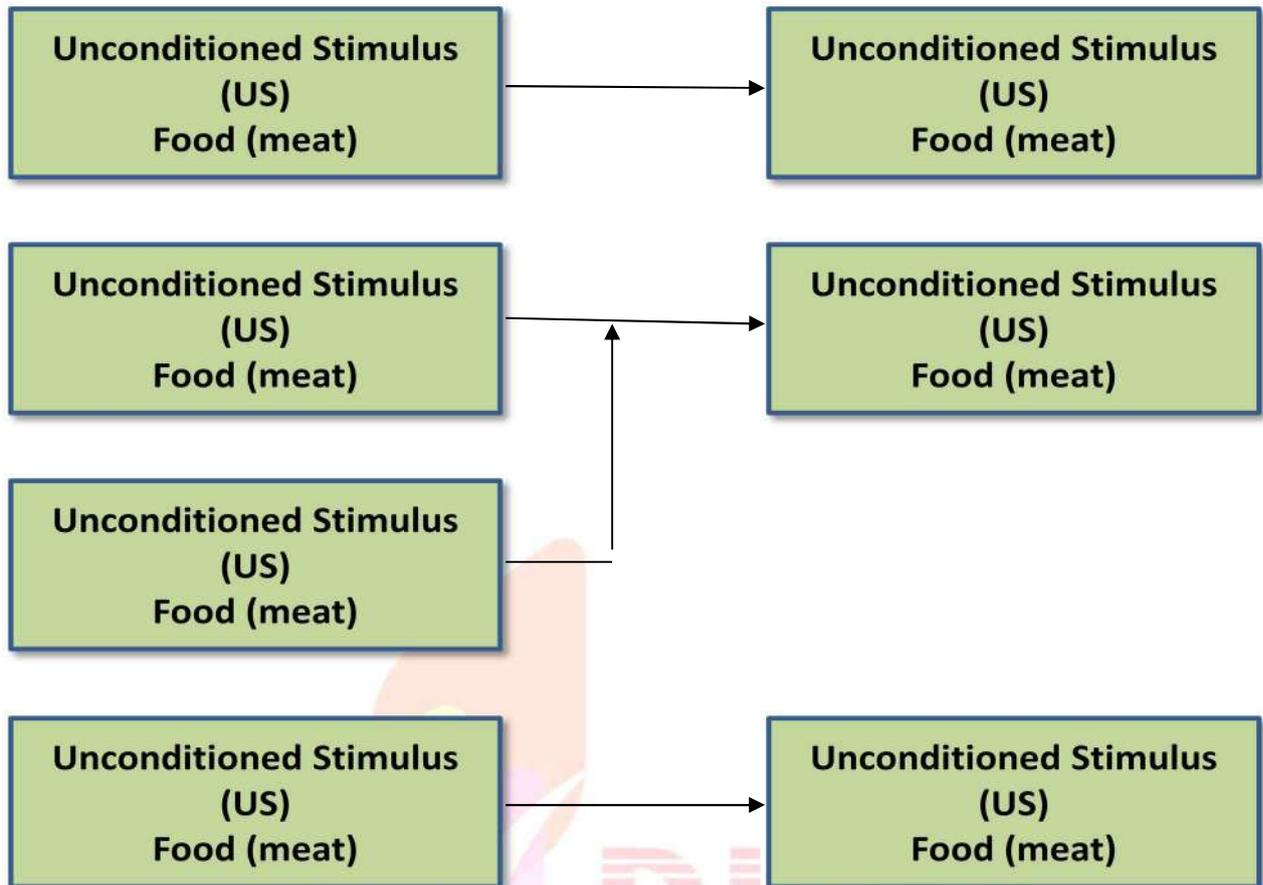
### **Consumer Learning Theories**

- 1. Behavioural / Connectionist School**
  - (i) Classical Conditioning**
  - (ii) Operant/Instrumental Conditioning**
- 2. Cognitive School**

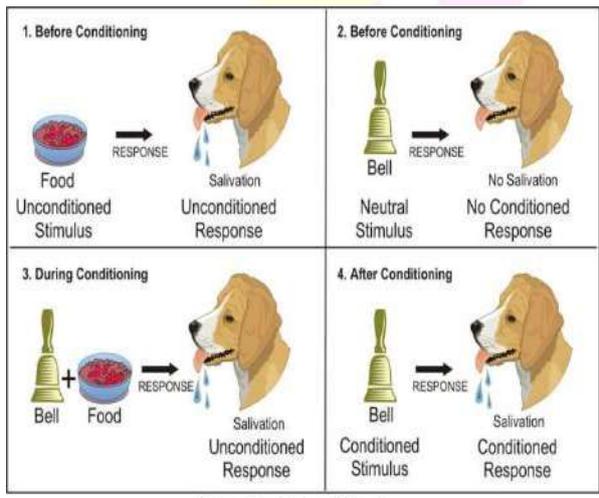
### **Classical Conditioning Theory**

Classical conditioning is a process in which a previously neutral stimulus acquires the ability to elicit a response by repeated association with a stimulus that naturally produces a similar response

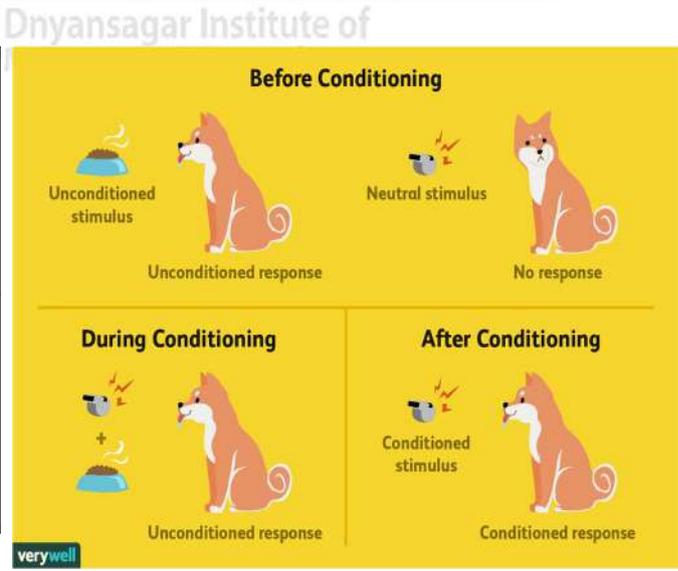
Classical conditioning describes behaviour as a learned process by repetitive association between a stimulus and response



**Pavlov's Experiment with Classical Conditioning**



**Classical Conditioning**

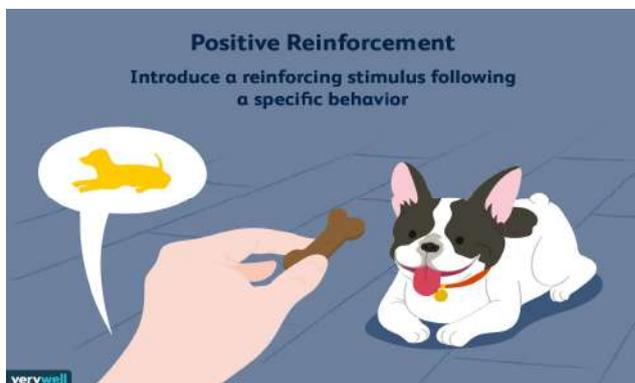
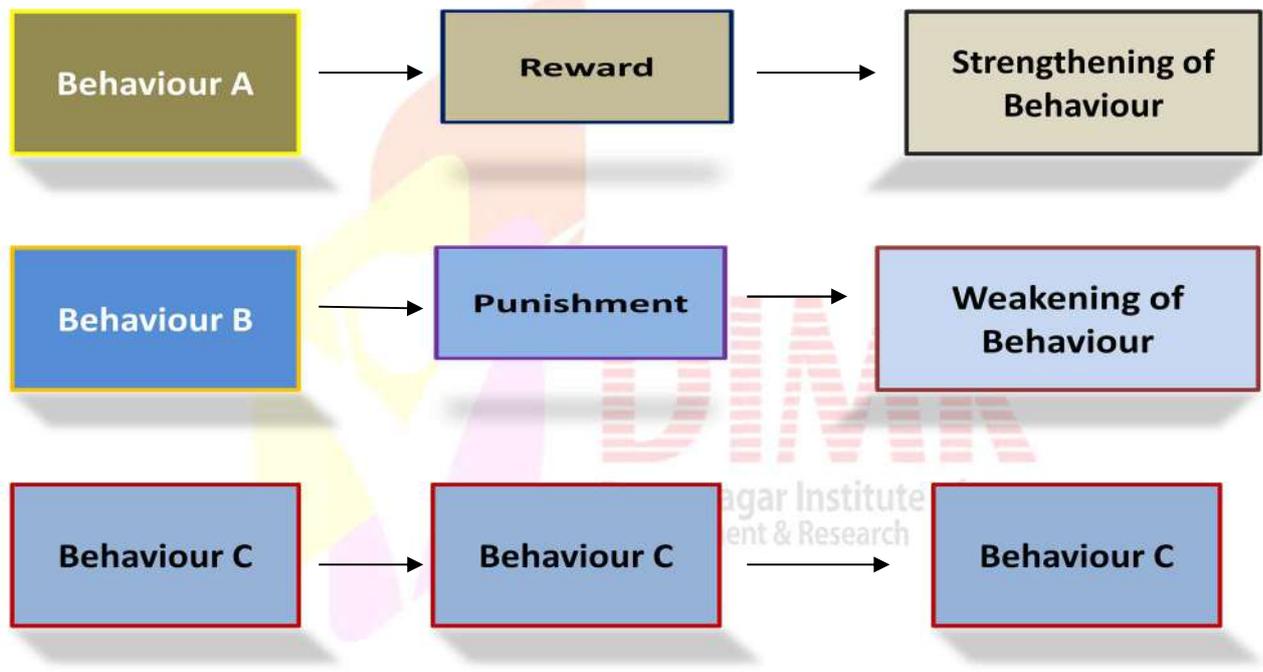


**Operant / Instrumental Conditioning**

Operant conditioning is a type of learning in which the consequences of Behaviour lead to changes in the probability of that behavior's occurrence

Instrumental conditioning requires the development of a link between a stimulus & response. Usually the consumer / individual will select the response which provides him / her, the greatest satisfaction

**Three Types of Re-inforcement in Operant Conditioning**



While analyzing consumer behaviour as per the instrumental conditioning it can be said that consumers learn through a method of trial and error, in which some purchase behaviour can have favourable outcomes while others may not be so favourable. And, it is such favourable experiences which is instrumental in encouraging the individual to repeat the purchase behaviour

When consumer receives continuous reinforcement, the probability of purchasing the same brand increases till he or she develops a habit & the buying is routinized. In the operant conditioning process, timing of rewards (given for the behaviour) can also influence the purchase behaviour

In operant conditioning, there are two types of reinforcements which can increase the chances of a response being repeated. These are positive reinforcement (positive response indicating the likelihood of a specific behaviour in the positive direction) and Negative reinforcement (Unpleasant response in the form of a specific negative behaviour)

Critics have opined that a considerable amount of learning can also take place in the absence of direct re-inforcement

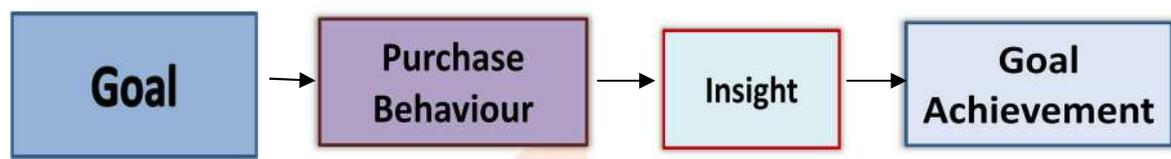
### **Difference between 'Classical conditioning' & 'Instrumental conditioning'**



**Cognitive Theory**

The learning is not a result of contiguity stimulus and response or re-inforcement but the result of thought process and insight

**Cognitive Theory with emphasis on Problem Solving**



**Kohler's Experiment**

According to psychologists, cognitive learning is viewed as a problem solving procedure and equated to the process of complex decision making

## **Consumer Memory**

### **Why are Marketers interested in Consumer Memory?**

*To answer certain questions like*

What do consumers do after the receipt of information on products & services?

What do consumers do after perceiving the information received?

What is the role of consumer memory to bridge the gap between receipt of information & actual purchase?

## **Characteristics of Memory Systems**

### **Sensory Memory**

- Inputs in the form of sensations produced by sensory receptors
- Memory registers sensation produced through visual, auditory & other sense organs
- After-image we “see” in our “mind’s eyes” immediately after observing an object & closing eyes

### **Short-term Memory**

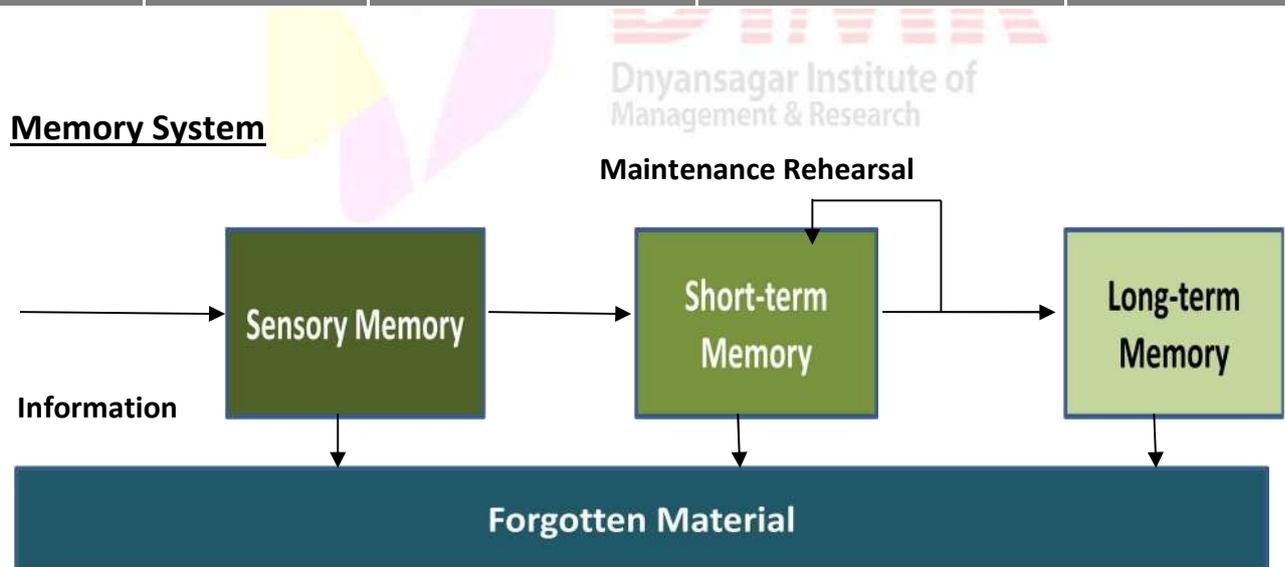
- Can be viewed as the workspace for information processing
- Portion of memory activated to temporarily store & process information in order to interpret it & comprehend its meaning
- Accompanied by combining incoming information with other information like past experience, knowledge store in long-term memory
- Brand names, symbols, trademarks etc. serve as chunking devices to organize material

### **Long-term Memory**

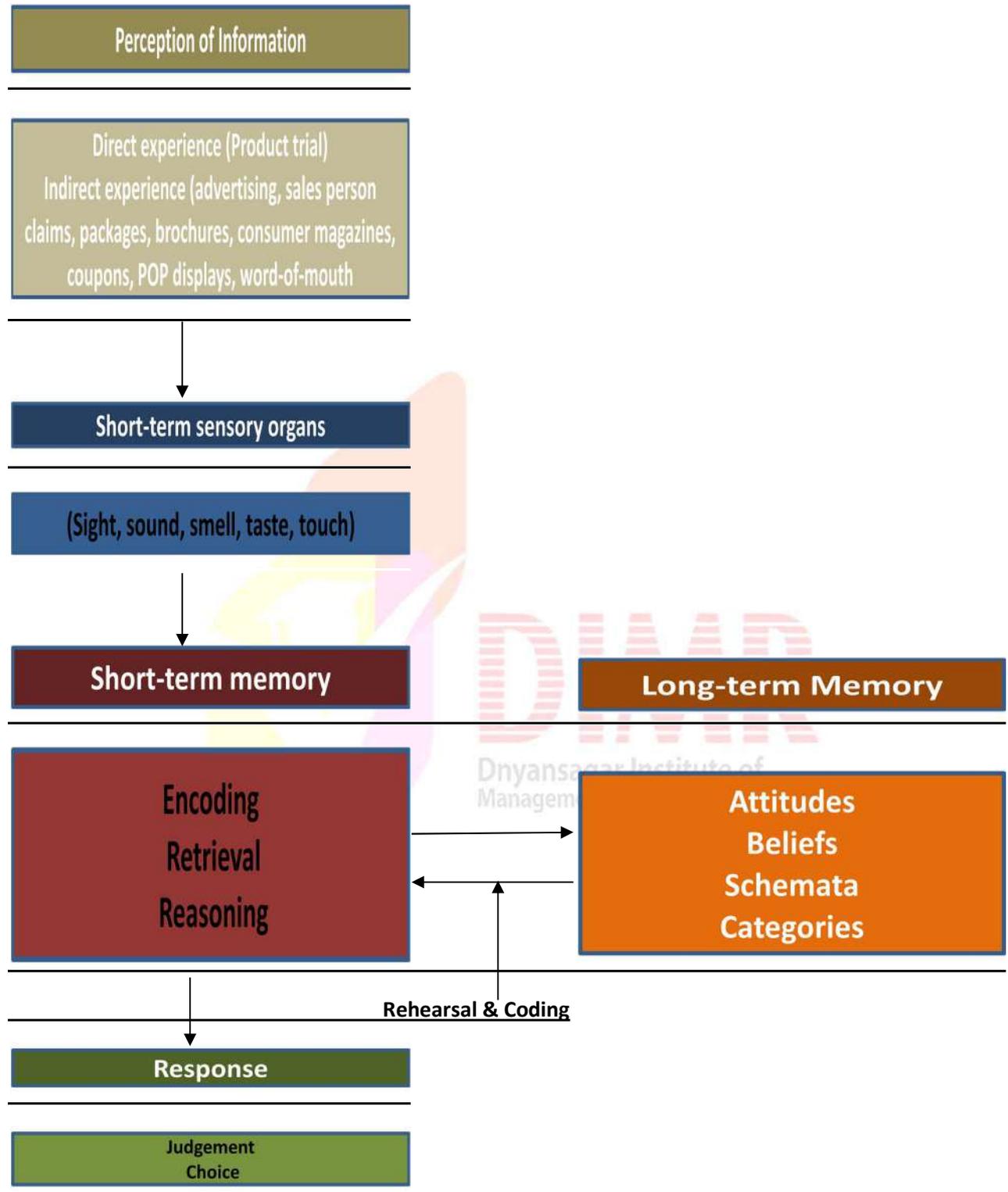
- Relatively permanent storehouse for information that has undergone sufficient processing

- The greater the similarity between two sets of different material, the more they will interfere with each other, especially if several ads are competing for consumer's attention

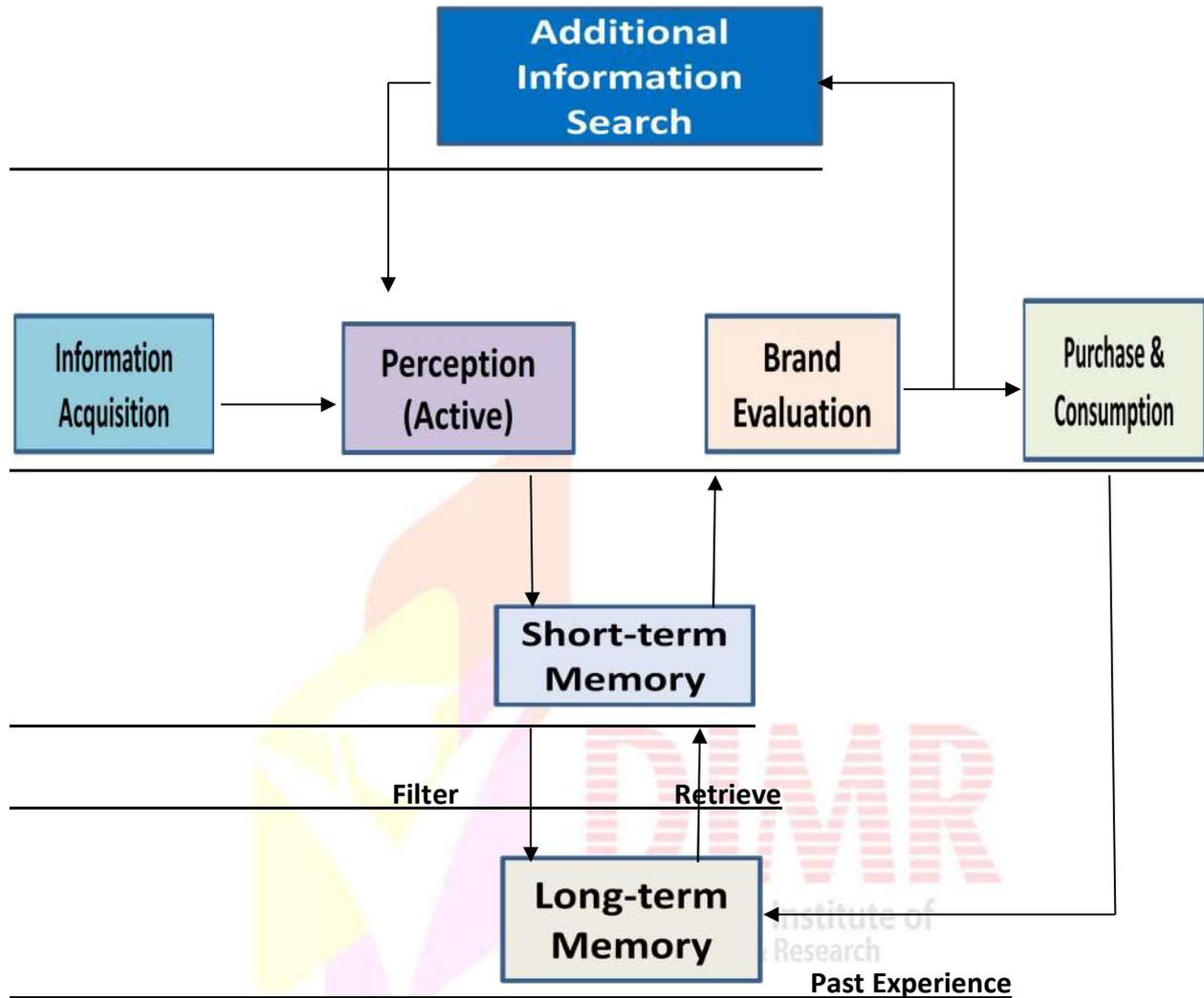
Memory System	Duration	Capacity	Type of coding	Major forgetting mechanism
Sensory memory	Fraction of a second	All that perceptual sensors can deliver	Quite direct representation of reality	Decay
Short-term memory	Less than one minute	Approximately seven items	Indirect-chunking	Decay
Long-term memory	Up to many years	Almost unlimited	Indirect-clustering via meaningfulness	Interference



**Consumer Information Processing System**



### Information Processing Model



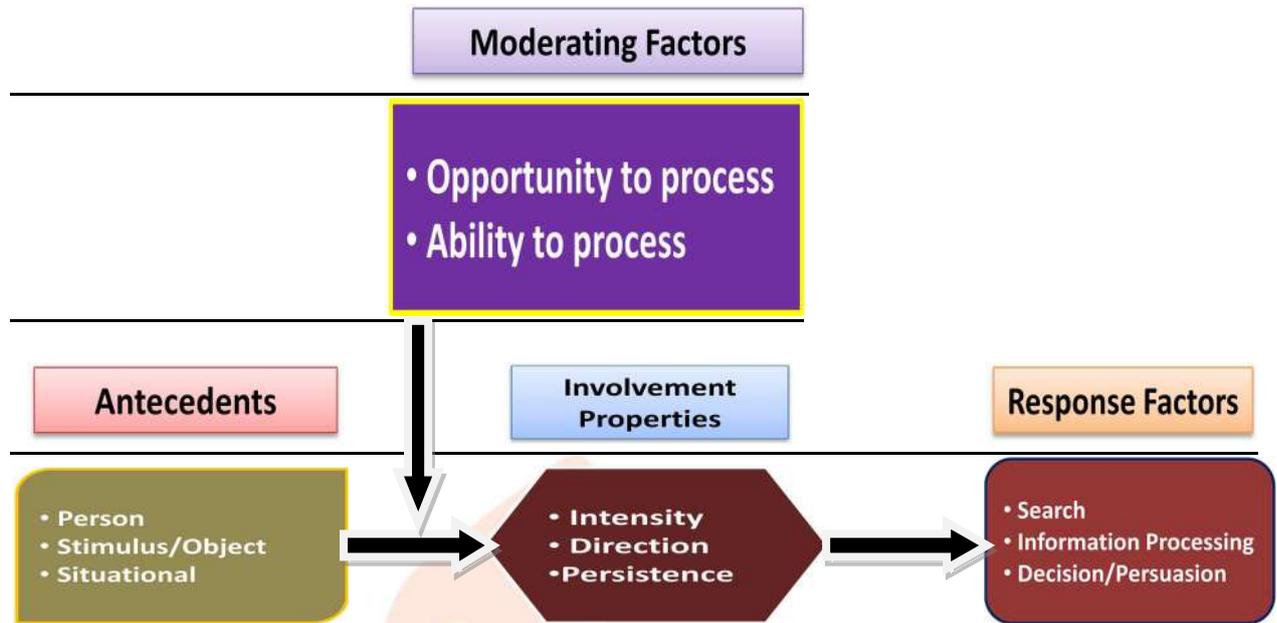
### Consumer Involvement

It is related to the consumer's values and self-concept, which influence the degree of personal importance ascribed to a product or situation

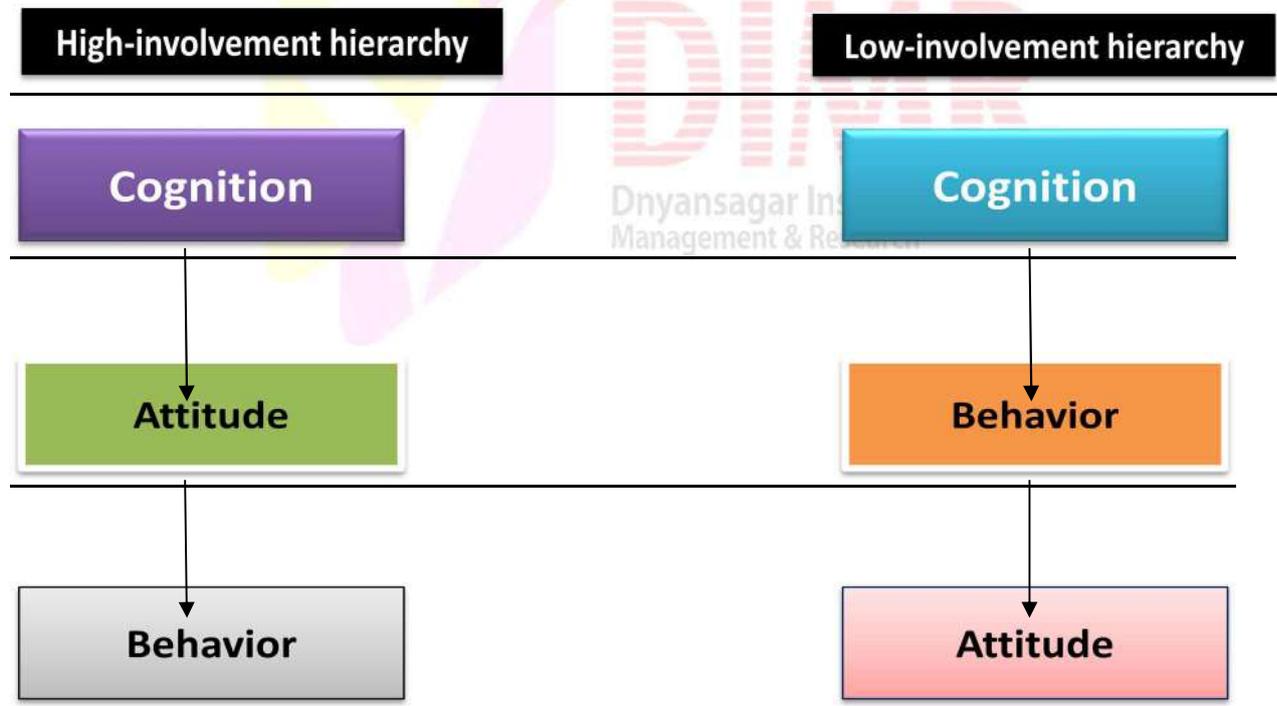
It can vary across individuals and different situations

Is related to some form of arousal

Dimensions of Involvement



Involvement & Consumer Behavior



### **Marketing Implications**

For numerous products or situations, many consumers are quite uninterested in learning about alternative brands & their characteristics

Consumers may make many purchase decisions without first developing clear brand attitudes or even having much knowledge about alternative brands

- **Consumer Attitudes**

- Attitudes are learned predispositions to respond to an object or class of objects in a consistently favorable or unfavorable way
- A positive attitude is generally a necessity, but not a sufficient condition for purchase

Ex. An attitude of a consumer towards Apple's latest Smartphone may be 'top of class' but intention to purchase might be low

### **Characteristics of Attitudes**

#### **Attitudes have an object:**

- The object can be physical thing, such as a product, or it can be an action, such as buying a microwave oven
- The object can be either one item, such as a person, or collection of items such as a social group; it also can be specific like a frozen meet brand or general like meet consumption

#### **Attitudes have Direction, Degree & Intensity**

- Attitude expresses, *(i) direction* – the person is either favorable or unfavorable toward, or for or against the object
- Attitude expresses, *(ii) degree* – how much the person either likes or dislikes the object
- Attitude expresses, *(iii) intensity* – the level of sureness or confidence of expression about the object, or how strongly a person feels about his or her conviction

### **Attitudes have structure**

- Attitudes have internal consistency & possess *inter-attitudinal centrality*
- At the center are the individual's important values & self-concept. Attitudes close to the center have a high degree of centrality, whereas attitudes located farther possess less centrality
- As the more central attitudes are related to a large number of other attitudes, they exhibit a greater degree of consistency than more peripheral attitudes
- As attitudes cluster into a structure, they tend to show stability over time. Newly formed attitudes are easier to change & less stable than are older ones of equal strength
- Attitudes tend to be generalizable.
- Ex. If a consumer purchases a Chinese toy or electronic item which either becomes dysfunctional or develops a technical problem, then the consumer may believe that all Chinese products are defective/low on quality

### **Attitudes are learned**

- Attitudes develop from our personal experiences with reality, as well as from information from friends, salespeople & news media

### **Functions of Attitudes**

**The Adaptive Function:** How well it performs

**The Ego-expressive & defensive Function:** To protect one's self-concept

**The Value-expressive Function:** To convey one's values & lifestyles

**The Knowledge Function:** A way to gain knowledge

## Attitude Models

- **Tri-Component Attitude Model**
- **Multi-Component Attitude Model**

### Tri-component Model

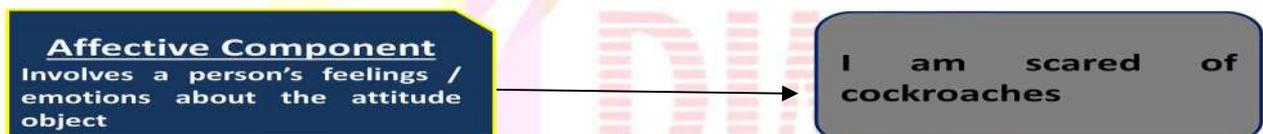
#### Cognitive Component

- Knowledge & perceptions acquired through direct experience & information from various sources



#### Affective Component

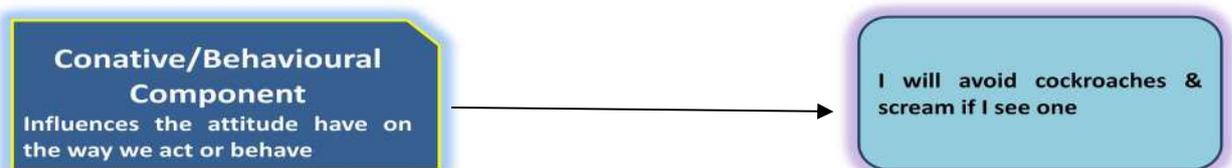
- Emotions & feelings about the object



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#### Conative / Behavioural Component

- Action tendencies toward the object



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### Multi-Component Attitude Model

- Developed by Martin Fishbein
- According to this model an attitude towards an object is dependent upon:

- (i) Strength of the belief that object has certain attributes
- (ii) The desirability of these attributes
- (iii) The number of attributes

**Fishbein Model**

$$A = \sum_{i=1}^n (b_i e_i)$$

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Where,

A = Attitude towards an object

n = number of attributes

b<sub>i</sub> = strength of the belief that object contains 'i' attributes

e<sub>i</sub> = evaluation of the desirability of attribute 'i'

Attributes do not necessarily lead to corresponding behaviors. So a modified version of the Fishbein's original model called the 'Extended Fishbein Model' was developed by Williams. This extended model suggests that we can predict the behaviour of the consumer accurately only if we rate these outcomes rather than rating the attributes

**Extended Fishbein Model**

$$A = \sum_{i=1}^n (b_i e_i)$$

Where,

A = Attitude towards the behavioral action

n = number of outcomes

bi = strength of the belief that action will lead to a particular outcome

ei = evaluation of the desirability of outcome

### **Strategies for Attitude Re-inforcement & Change**

- Reinforce positive attitudes among existing users
- To an existing brand, attract new users
- Attract new users to a new brand

#### **Reinforce positive attitudes among existing users**



Reinforcing the goodness of the brands & convince users to continue their positive attitudes towards it

#### **Reinforce positive attitudes among existing users**



Reinforcing positive attitudes by building a long term bond or relationship with the consumers

**Attract new users to existing products**



By indicating that their products can deliver desired benefits in a better way

**Attract new users to new products**



To identify opportunities in new & emerging areas and attract new users by communicating a positive attitude about the product offering

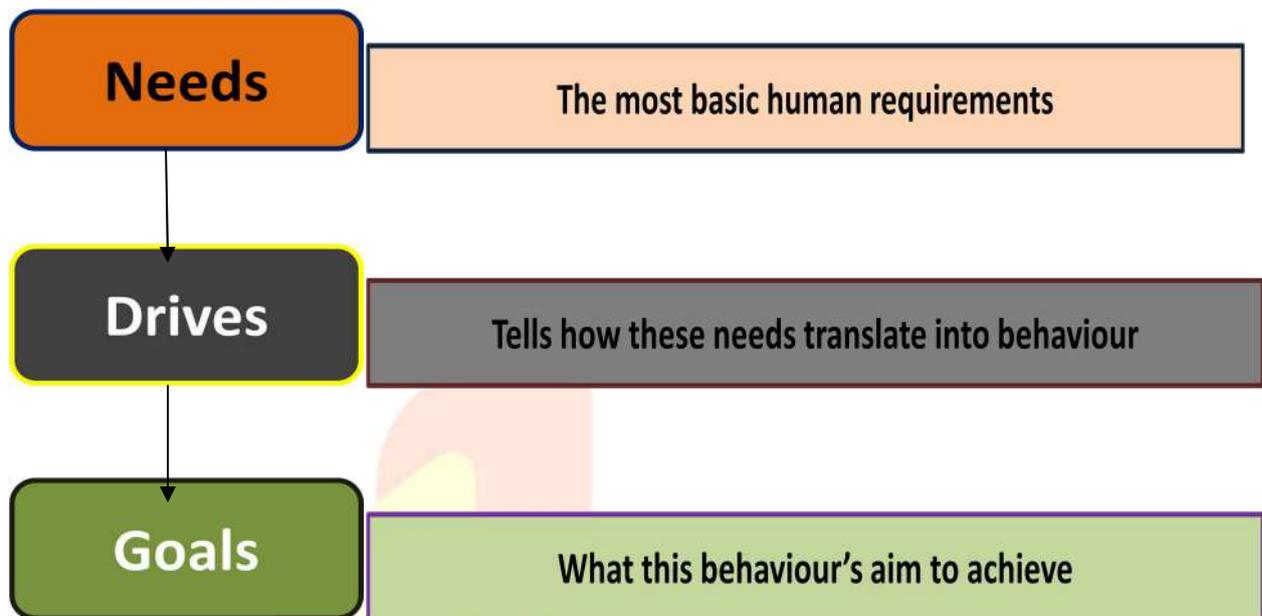
- **CONSUMER MOTIVATION**

**Understanding Motive**

- It is an inner state that energizes, activates or moves & directs or channelize behaviour towards the goal
- It could be the “Whys” of behaviour
- It won't only arouse & maintain activity but also determine the general direction of the individual

- Sometimes referred to as needs, wants, drives or impulses within an individual which work towards achieving the goals

Human behaviour is caused by motives or needs and motivation is the process of inducing persons to experience needs for a certain goal or behaviour



**Needs:** Needs can broadly be categorized into physiological (primary) needs, psychological needs & learned (secondary/cultural) needs and these different categories of needs are related in complex ways

#### **Physiological/Primary**

- Needs to sustain life
- Food, Air, Security

#### **Psychological**

- Deal effectively with outside world/environment
- Personal competencies

#### **Learned/Secondary**

- Acquired needs

- Socialization, Cultural, related to relationships

**Goals:** We are aware of our needs only when we are aroused. Goals are known as sought after result of motivated behaviour

Goals are known as the sought after result of motivated behaviour. That is they are the end points of motivation behaviour

Selection of goals by an individual will depend on a number of factors such as personal experience, social & cultural norms & values, personal norms & values, physical & intellectual capacity, accessibility of goal & self image

### **Motivational conflict:**

Whenever there are changes in an individual's physical condition, environment (or situation), experience etc., his or her needs & goals will change accordingly. According to economist needs & goals will continuously influence an individual's buying behaviour because once individuals attain their goal, new one emerges. Some of the reasons which cause motivational conflicts are:

- (i) Needs are never fully satisfied
- (ii) New needs emerge as old needs are satisfied
- (iii) Success & failure influence goals
- (iv) Substitute goals

### **Defense Mechanism:**

Frustration is the feeling experienced by an individual when he or she fails to achieve a goal. Individuals learn to handle frustrating situations differently. While some may go for substitute goals, others may adopt for a defense mechanism like behaviour to protect their self esteem or self image

While taking a defensive reaction to frustration the individual may react in different ways:

- (i) **Aggression:** Individuals to cope with frustration may resort to aggressive behaviour to protect their self-esteem. Ex. A consumer unhappy with a product purchased from a

retailer, may boycott him until he returns the money paid by him or offers replacement of the product at no extra cost

- (ii) Rationalization / Compromise: At times individuals try to rationalize by inventing plausible reasons for not being able to achieve their goals. Ex. A person convince himself that the goal of buying 'BMW' is not really worth pursuing, and settles for a 'Ford' car, is an example of 'Rationalization' as a defense mechanism in motive-satisfaction chain
- (iii) Regression: Sometimes people react to frustrating situations with childish behaviour. Ex. During the sales exhibition, a consumer may refuse to accept that the particular clothing liked by him is bought by another customer & he will deliberately tear or cause harm to the product rather than giving it away to the other person
- (iv) Withdrawal: A person may handle frustrating situation by slowly withdrawing from the situation. Ex. When a customer realizes that the particular pair of shoes liked by him is purchased by someone else, he will leave the shop with the reasoning that the outlet was not well stocked & he should patronize another shop to get the shoes of his choice
- (v) Projection: Under this an individual may redefine a frustrating situation by projecting blame for his/her drawback or inabilities on other persons or objects. Ex. 'A customer wants to cancel the health insurance plan which is not found to be satisfactory or of desired benefits and blames the insurance advisor for it.' This is an example of 'Projection' as a defense mechanism of consumer motivation
- (vi) Identification: People have been found to be resolving their feeling of frustration by subconsciously identifying themselves with other persons in situations which they consider relevant. Ex. 'An advertisement of 'Head & Shoulder' anti-dandruff shampoo making the viewer relate with the frustrating situation he might have faced & thereby inducing a positive purchase behaviour in him', is an example of use of 'Identification' as a consumer motivation defense mechanism.

- (vii) Repression: Defense mechanism to repress the unsatisfied needs. Ex. A childless couple helping & teaching in a school meant for orphan or disabled children is an example of defense mechanism of 'repression' in motive-satisfaction chain.

### **Motive Arousal**

An individual's specific needs are dormant most of the time. The arousal of any particular need may be on account of an individual's internal stimuli (physiological, emotional or cognitive processes) and external environment

Physiological arousal: Involuntary needs that make the person undergo tensions, till he is able to satisfy those needs, leads to physiological arousal. Advertisements of Ice-creams, Chocolates, and Cold-drinks etc. cause physiological arousal.

Emotional arousal: Motive arousal on account of the need aroused by day dreaming or autistic thinking is called as emotional arousal. Ex. A college student who dreams of becoming an IAS officer may try to get through the UPSC exams.

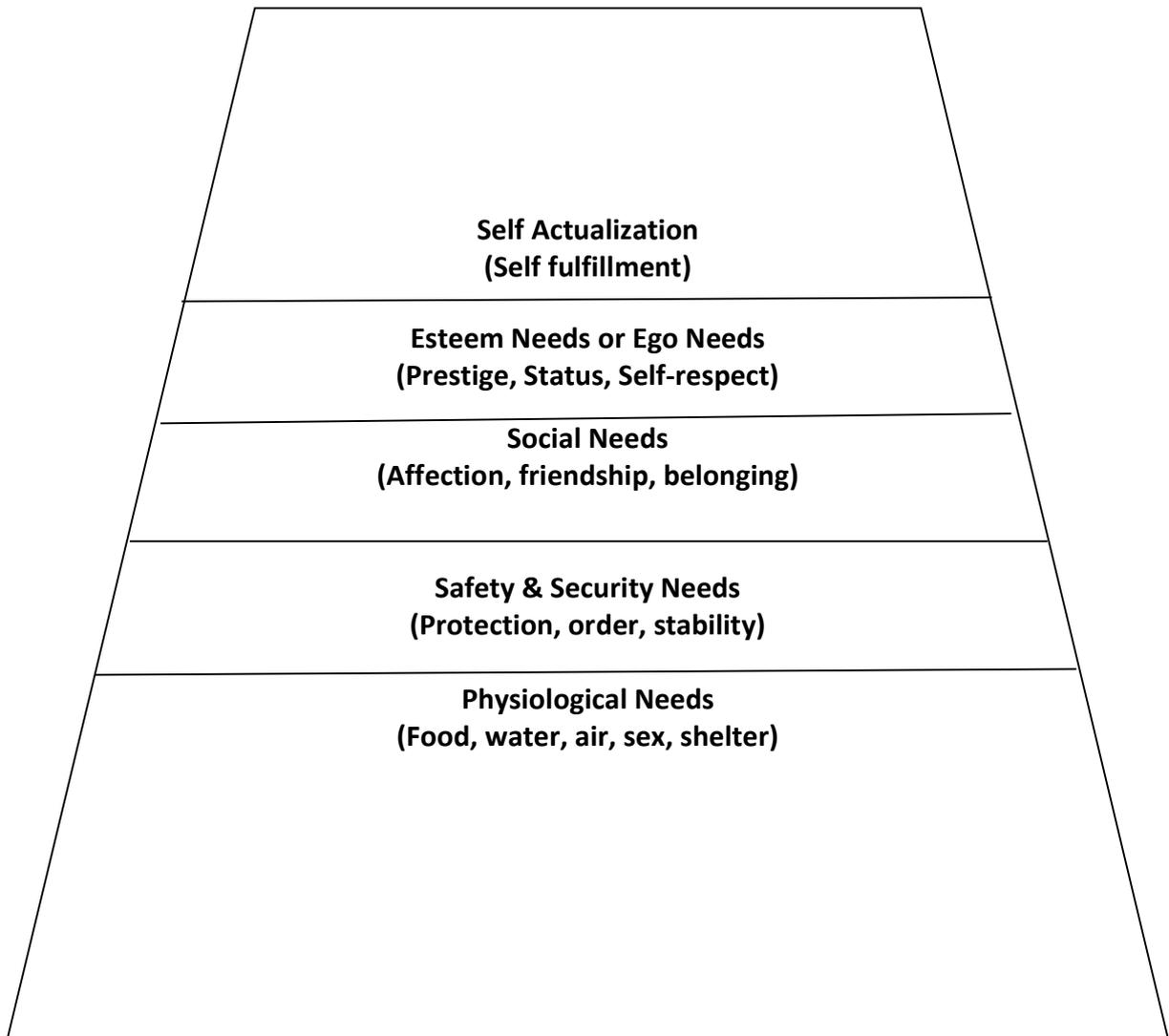
Cognitive arousal: There are instances when random thoughts or personal achievement may lead to a cognitive arousal of motives. An advertisement of 'Phone pay' to send money to their loved one's triggering an urge to speak to loved one's is an example of cognitive arousal.

Environmental arousal: Specific cues from the environment will arouse the set of needs. Arousal or feeling of hunger after watching an advertisement of noodles on TV is an example of environmental arousal.

### **Motivational Theories**

- **Maslow's Hierarchy of needs:**

Dr. Abraham Maslow had developed a framework of needs & formulated a widely accepted theory of human motivation based on the notion that there is a hierarchy of needs which influence the person's motivation level



According to Maslow, the physiological needs will have the highest strength & will be dominant until they are reasonably satisfied.

Being a social being man feels the need to belong to and be accepted by various groups (social needs). The ego needs are concerned with ego. They reflect an individual's need for self-respect, self-confidence, a feeling of personal worth, prestige, success etc.

Maslow had also introduced two more categories of enabling needs which can provide the channels through which the five categories of needs can be achieved, 'Freedom of enquiry and expression needs' and 'knowledge and understanding needs.'

**Marketing Applications:**

This hierarchy of needs has proved to be useful to marketers enabling them to devise suitable advertising appeals depending on the need level for a particular product.

**Ex. Physiological needs:** Domino's Pizza

Safety & security need: Aarogya Setu App, Pension Plan of LIC

Social need: Swift Dzire car

Esteem needs: Visa Platinum Credit card

Self-actualization needs: Art of Living workshop

In spite of few objections, Maslow's work has provided a framework which is easy & useful for marketers. Marketers have been using this hierarchy needs theory for psychographic segmentation

- **McClelland's Theory of Need Achievement:**

**Needs for power:** relates to have control over other people and objects in the environment

**Need for affiliation:** relates to desire to belong to, be a part of a group and to have friends

**Need for achievement:** relates to the need to achieve something

The achievement need is closely related to both esteem needs and self actualization needs. Individuals who have a strong need for achievement will treat personal achievement as an end in itself.

Increase of power needs, the individual desires to have control over other people and various objects. Affiliation need relates to man's social concern for socializing to gain friends, desire for being accepted and for belonging

- **Alderfer's ERG Hierarchy of Needs:**

As per the ERG theory, the existence needs are related to the need for survival, the related need focus on the interpersonal and social relationships and the growth needs are more concerned with the person's intrinsic desire for personal development

- **Vroom's Expectancy Theory:**

This theory is based on the concepts of Valence, instrumentality and expectancy.

Valence refers to the strength of an individual's preference for a particular outcome.

Instrumentality is the first level outcome in obtaining a desired second level outcome.

Expectancy relates to the probability that a particular action or effort will lead to a particular first level outcome

Vroom's theory proposes that individual's will be motivated to do things to the extent that they expect certain actions on their part will help them to achieve the goal.

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### **UNIT-III: Environmental Influences on Consumer Behaviour**

- **Cultural Influences on Consumer Behaviour**

**Culture:**

- A set of socially acquired values that society accepts as whole and transmits it to its members through language & symbols.
- In India we have our own shared beliefs, values, customs which distinguishes us from the rest of the world. Influences from various institutions and elements of the society combine in various ways, which will give rise to the resultant culture and customs

Ex. 'Atithi Devo Bhava' is the Indian culture irrespective of the cast, creed, and religion of the people

**Characteristics of Culture:**

- Culture is a learned response

- Culture includes inculcated values
- Culture is a social phenomenon
- Culture is gratifying & continues for a long time
- Cultures are similar yet different
- Culture prescribes the ideal standards of behaviour

**Values:** Two types:

- **Cultural / Terminal Values:** Goals to be attained

**Ex.** Harmony, successful achievement of task, security of family, peaceful world, self-respect, National security, Freedom & equality, Comfortable life etc.

- **Instrumental / Consumption specific values:** means of achieving the desired goals

**Ex.** No misrepresentation of products, transparency, Low prices, consumer rights, convenient purchasing & store location, prompt service, advertisement claims reliability, courteous & helpful salespersons, eco-friendly products etc.

**Changing Indian values:**

- Diversity in Religions, Culture, Customs
- Traditionalism & Materialism
- Orientation towards youthfulness
- Importance of self-fulfillment
- 'Mindset of scarcity' has given way to consumerism

**Sub-culture:** Within the larger society there are specialties or subsystems of values resulting in a considerable variation in behaviour pattern, which exist within the total culture.

**Sub-culture Category Classification:**

- **Religion:** Hindu, Muslim, Christian etc.
- **Geographic location:** North, South, East, West
- **Age:** Teenage, Middle age, Old
- **Gender:** Male, Female, Transgender
- **Occupation:** Service, Professional, Businessmen
- **Social Class/Status:** Upper, Middle, Lower

**Influence of Cultural Variation/Multiplicity of Indian Culture on Consumer Behaviour:**

- Consumer customs and values: Cultural values can affect consumer's product preferences and product usage
- Language and meaning
- Differences in Market segmentation opportunities
- Differences in the criteria for evaluating products and services
- Differences in consumption pattern and perceived benefits of products and services
- Differences in the economic and cultural social condition and family structure

**Cross-cultural influences:**

- **problems are encountered in Cross cultural marketing:**
  - (a) Problems related to Symbols, Colour and Names Selection
  - (b) Problems related to product selection
  - (c) Problems related to Promotion / Marketing Communication
  - (d) Problems related to pricing

(e) Problems related to Selection of Distribution Channels

**Marketing objectives & policies to deal with the cross cultural influence on consumer behaviour:**

- (a) To determine how consumers in two or more societies are similar / different and devise suitable, appropriate strategies
- (b) Devise individualized marketing strategy if cultural beliefs, values and customs of a specific country are different

### **Social Class & Group Influences on Consumer Behaviour**

#### **Social Class:**

Social Class has been defined as a group consisting of a number of people who have approximately equal positions in a society. These positions may be achieved rather than ascribed, with some opportunity existing for upward or downward movement to other classes.

#### **Characteristics of 'Social Class':**

- Social class suggests rank ordering
- Social classes are relatively permanent
- Social classes have internal homogeneity
- Social class can have intergenerational class mobility
- Social class considers Determinants other than income

#### **Characteristic features of Social classes having relevance to Marketing:**

- Persons within a Social class tend to behave more alike
- Social class is hierarchy

- Social class is not measured by a single variable but is measured as a weighted function of one's occupation, income, wealth, education, status, prestige etc.
- Social class is continuous rather than concrete, with individuals able to move into a higher social class or drop into a lower class.

### **Status Symbol:**

- A status symbol is generally an object that means to signify a person's high social and economic standing.
- Status symbol often changes as a culture and its values change.
- Ex.1 Owning a premium car like BMW, Mercedes or having a membership of an elite club can be a status symbol for people from upper class.
- Ex.2 Owning a plush, luxurious apartment in a renowned housing project or admitting children in a reputed school can be a status symbol for people from middle class.
- Ex.3 Owning a farmland or even a two wheeler can be a status symbol for people from lower or lower-middle class.

### **AIO Classification of Lifestyle:**

- AIO (Activities, Interests and Opinions) is one of the parameters to carry out Psychographic Market Segmentation.
- Activities, interests and Opinions (AIO) are a person's characteristics used by marketers to construct the individual's psychographic profile.
- AIO facilitates in understanding the attitudes, motives, needs and perception regarding a product or a brand based on the customer's activities, interests and opinions.

### **Commonly used AIO dimensions:**

- **Activities:** Work, Hobbies, Social events, Vacations, Entertainment, Club membership, Community

- **Interests:** Family, Home, Job, Community, Recreation, Fashion, Food
- **Opinions:** Themselves, Social issues, Politics, Business, Economics, Education, Products

### **Advantages of AIO classification of lifestyle:**

- Defining the target market
- Create a new view of the existing market
- Position the product
- Communicating product attributes in better way
- Product strategy development
- Marketing social and political issues

### **VALS typology or VALS framework:**

- VALS framework or typology was developed by SRI international and is based on the Values, Attitude and Lifestyle of a consumer.
- It is a research oriented programme undertaken to understand the relevant shifts in the benefits, values and lifestyle of the psychographic segment of the population.
- It can be used as a marketing tool to better explain the consumer purchase behaviour. It is closely connected to Maslow's need hierarchy.

	<b>Actualizers (Maximum Resources)</b>	
<b>Fulfilled</b>	<i>(Principle oriented)</i>	<b>Believers</b>
<b>Achievers</b>	<i>(Status oriented)</i>	<b>Strivers</b>
<b>Experiencers</b>	<i>(Action oriented)</i>	<b>Makers</b>
	<b>Strugglers (Least Resources)</b>	

- **Actualizers:** are receptive to new ideas or products, skeptical about advertising, readers of variety of publication works.
- **Fulfilled & Believers:** are principle oriented consumers, whose choices are inspired and motivated by their beliefs rather than by desire for approval.
- **Achievers & Strivers:** are status oriented consumers whose choices are dependent on the actions, approval and opinion of others.
- **Experiencers & Makers:** are action oriented consumers motivated by a desire for a richer lifestyle, with variety & risk taking.
- **Strugglers:** are price conscious, loyal though not very knowledgeable shoppers.

**Benefits of VALS framework to the marketers:**

- VALS can help the marketers to understand the demographic profile, attitudes, consumption pattern, brand preferences and the most preferred media of the various customers.

- It helps the marketers to know the lifestyle of consumers and to devise suitable positioning and promotional strategies accordingly.

## Group Influences

### **Sources of group influences on consumer behaviour:**

- Family
- Friendship group
- Formal Social Group
- Shopping group
- Work group

### **'Nature' of the reference group:**

Reference groups are more likely to influence members if,

- (i) The members are cohesive and have similar norms and values, so they are highly credible
- (ii) The members interact frequently, so the group has the power to cause attitude changes
- (iii) If the group membership is highly valued and considered to be distinctive and exclusive, it will be attractive for the individual.

### **Characteristics of Reference Group influencing Consumer Behaviour:**

**(i) Group norms:** Undefined/undocumented rules & standard of conduct.

Ex. Appropriateness of wearing specific type of clothes, eating habits, type of cars, mobiles, jewellery, cosmetic brands etc.

**(ii) Group Values:** Shared beliefs among group members

Ex. Importance given to 'Social status' or 'independent thinking' or 'personal enhancement' etc.

**(iii) Roles of group members:** functions assigned to the individual so as to attain group objectives.

**(iv) Individual Status within group:** Position the individual is accorded within the group.

**(v) Socialization:** it happens when an individual learns the group norms & role expectations.

Consumer socialization refers to the process by which consumers acquire the knowledge & skill necessary to deal properly at the market place

**(vi) Power:** a group is able to exert on an individual influencing his buying behaviour

(a) Expert power: from expertise of individual or group. Ex. Tyres, Sports accessories, construction equipments etc.

(b) Referent power: the stronger an individual's identification with the group, greater is his referent power. Ex. Automobiles

(c) Reward power: based on the perception one has of another's ability to reward him. Ex. Amway makes effective use of reward power in motivating its sales force

(d) Coercive power: the power of influence through the use of punishment or withholding of rewards. Ex. Tupperware

(e) Legitimate power: members perception that the group has a legitimate right to influence them. Ex. Mostly exerted by parents, teachers, religious groups.

#### **Types of Reference Group:**

**(i) Normative reference group:** directly influence general values or behaviour.

Ex. Child's normative reference group will be his family

**(ii) Comparative reference group:** serves as point of comparison, especially for evaluating one's own status.

Ex. People tend to buy a home & move into a residential area/locality where they feel the neighbours will have similar social, economic characteristics as themselves

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**(iii) Indirect reference groups:** in the form of movie stars/sports personalities etc. tend to influence their fans through their choices, lifestyle, fashion, endorsements etc.

Ex. Varun Dhavan & Katrina Kaif endorsing 'fbb'; Virat Kohli's style sense, hair do's etc.

**(iv) Informational influence:** Consumers will accept information from a group which is considered as a credible source of information & has expertise.

Ex. While purchasing TV, Microwave oven, cars consumers will regard personal sources of information as very trustworthy

**(v) Aspirational group:** is one to which an individual do not belong but wishes or aspires to belong.

Ex. PV Sindhu (Bank of Baroda), Dipika Padukon (Axis Bank), Female celebrities (Lux international soap), Male celebrities (Liquor Brands)

**(vi) Disclamant group:** whose values or behavior does not appeal to the individual so he disapproves of the group values, attitudes & behaviour and his behaviour will be the opposite or reverse to the norms of the particular reference group even if he is a member of the group.

Ex. A teenager may oppose his/her family's acts & beliefs who happen to be followers of a religious guru.

**(vii) Avoidance group:** a group of which a person may not hold membership or face to face contact and disapproves the group's values, attitudes & behaviour then he will tend to avoid the group & will adopt values, attitudes & behaviour which will be in opposition to that group.

Ex. A person not having faith in the practices, values, attitudes & behaviour of the ISKCON so he will avoid any contact with the group and may get connected with the ISHA Foundation

**Factors based on which reference groups can exert influence on individual's purchase behaviour:**

- Individual's attitude towards the group

- The nature of the group
- The nature of the product

### **Types of reference group influences on Consumer buying behaviour:**

- Informational influence:** individual seeks information from those who are associated with the product & can provide genuine & authentic information
- Utilitarian influence:** individual preferences related to utility or expectation from product influenced by other people preferences with whom he has social interaction
- Value-expressive influence:** individual feels that the purchase or use of specific product/brand will enhance the image which others have of him or her

### **Family Influence on Consumer Behaviour:**

#### **Traditional Family Life-cycle Stages:**

- 1. Young singles:** Single, under the age of 35, Low incomes as they are starting a career, but have few financial burdens & high level of discretionary income.
- 2. Newly married:** Newly married couples without children, high level of discretionary income because wife is usually working.
- 3. Full Nest-I:** Married couples with the youngest child under 6, greater squeeze on income because of increased expenses for child care.
- 4. Full Nest-II:** Married couples with children from 6-12, better financial position since parents' income is rising, most children are 'latchkey' kids as both parents are working.
- 5. Full Nest-III:** Married couple with teenage children living at home, family's financial position continues to improve, some children work part-time, increasing educational costs

**6. Empty Nest-I:** Children have left home & are not dependent on parental support, parents are still working, reduced expenses result in greatest level of savings & highest discretionary income.

**7. Empty Nest-II:** Household head has retired so couple experiences sharp drop in income, couple relies on fixed income from retirement plans.

**8. Solitary Survivor:** Widow or widower with lower income & increasing medical needs

<b>Family Life-cycle Stage</b>	<b>Consumer Characteristics</b>	<b>Typical Products &amp; Services</b>
<b>Young singles</b>	Expectation of financial support by relatives is possible; High discretionary income; Full marketplace accessible; Wide & in depth product knowledge is likely; independent decision making	Travel, Hobby related purchase, better restaurants, retirement savings, house, home furnishings, appliances
<b>Newly married</b>	Resolution of lifestyle & values concerning consumption; Lack of financial planning; Financial condition is better than for near future; High purchase of durables; Wide product knowledge	Home equipment; Durable furniture; Cars, Vacations, Insurance
<b>Full Nest-I</b>	Home purchase of primary concern; Low liquid assets; conversion to one income likely; very susceptible to advertising & new products; Dissatisfied with financial condition; Change in lifestyle due to children; Expansion on family influence on purchase	First house; Day care; Community services like school, hospital; Baby food; Toys; Fast food; Bikes; Baby furniture
<b>Full Nest-II</b>	Change in family risk patterns & concern for security; Needs expanding faster than income; Some wives working; Less susceptible to advertising; Larger unit purchases	Assortment increases due to expressed preferences; Higher usage of clothing; Larger house or up gradation; Larger size

		packages; Fast food
<b>Full Nest-III</b>	Aging parents; Recycling of products to younger siblings while protecting individual needs; Heavy replacement of durables; More wives working; Hard to influence with advertising; Wide & in-depth product knowledge; Some children get jobs	Food expense at peak; Dental services; New furniture; Magazines; Non-necessary appliances, Recreation; College expenses
<b>Empty Nest-I</b>	Pre-retirement planning; Home ownership at peak; Typically in best financial position; Not interested in new products; Financial assistance to children	Travel; Recreation; Self education; Vacations; Home improvements; Savings for retirement; Home security devices; Hobby related purchases
<b>Empty Nest-II</b>	Drastic drop in income; Want to keep home; Product knowledge becoming obsolete	Medical care & products which aid sleep, health, digestion; Leisure time equipments not formerly owned due to time constraints; Household services for aging; Vacation home; Restaurants
<b>Solitary Survivor</b>	Drastic drop in income; Independent decisions now required due to absence of spouse	Mass transportation; Household services; Restaurants; Gifts to children, grandchildren; Hobby related purchase

**Purchasing Roles within family:**

- (i) **Initiators:** Family members who take the initiative of putting across the idea to other family members about a product or service

- (ii) **Influencer:** Family member who provides the necessary information to the other family members about a product or service
- (iii) **Deciders:** Family members who have the power to either unilaterally or jointly decide or determine whether there is a need to shop for, purchase, use or consume or dispose of a particular product or service
- (iv) **Purchasers/Buyers:** Family members who actually go & make the purchase of the product or service
- (v) **Preparers:** Family members who transforms the product or service into a form, for consumption by other family members
- (vi) **Users:** Family members who are the real users or consumers of the product or service
- (vii) **Maintainers:** Family members who regularly maintains or service the product so that it continues to provide satisfaction
- (viii) **Disposers:** Family members who initiate the disposal or discontinuation of a particular product or service

**'Word of mouth Communication' within groups:**

- Word of mouth communication is the interpersonal communication which can take place between two or more individuals or between members of a reference group or a consumer and the sales personnel.
- It can influence the purchase decisions of consumers.
- It can be said that 'a satisfied customer is your best sales person', as they can through positive word-of-mouth influence friends and relatives to buy certain goods or services.
- Whereas dissatisfied customers through negative word-of-mouth may inhibit sales.

**Opinion Leadership:**

Opinion leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients.

**Characteristics of Opinion Leaders:**

- (i) Opinion Leaders are perceived to be highly credible sources of product related information.
- (ii) Opinion leaders are gregarious and are people with experience.
- (iii) Opinion leaders usually provide unbiased information that is they provide both favourable and unfavourable information to their opinion seekers.
- (iv) Opinion leaders are both sources of information and advice.
- (v) Opinion leaders have got greater exposure to the media, especially in their area of leadership.
- (vi) Opinion leaders tend to be consumer innovators
- (vii) Opinion leaders have got some personal product specific characteristics like Personality Traits, Social status and Demographic features

**Marketing strategies used by the marketers to influence consumer decision making by encouraging 'word-of-mouth communication' and 'Opinion leadership':**

- (i) Stimulate positive word-of-mouth communication
- (ii) Stimulate word-of-mouth to induce product trial
- (iii) Stimulate word-of-mouth through direct selling
- (iv) Stimulate word-of-mouth through 'Experience' and Advertising

## **Indian Consumer**

### **Social Classes in India:**

#### ***(A) Old Socio-Economic Classification (SEC) in India***

- (i) The Affluent Group
- (ii) The Middle Class
- (iii) The Relatively Poorer Section
- (iv) The BPL (Below the Poverty Line) Segment

#### ***(B) New Socio-Economic Classification (SEC) in India***

- (i) Demographic variables like occupation & education of chief earner, education of housewife, claimed monthly household income
- (ii) Dwelling type and amenities. Ex. Construction material, tap, bathroom, number of rooms, electricity connection, agricultural land etc.
- (iii) Ownership of consumer durables like Car, Air conditioner etc.
  - ✓ It helps to define the purchasing power of a household.

### **Characteristics of BoP consumers:**

- (i) The consumers are Brand conscious, they are also extremely value conscious by necessity
- (ii) BoP consumers are getting connected and networked. They are rapidly exploiting the benefits of information networks. Ex. Picking up the latest fashion trends, purchase of new models of bikes
- (iii) BoP consumers accept advanced technology rapidly

Ex. Usage of digital platforms like social networking or digital payments

## **Gen Z consumers:**

Gen Z consumers are the people born in between 1995 to 2010. They are true digital natives as from earliest youth; they have been exposed to the internet, social networks and mobile systems. It makes them very comfortable with collecting and cross-referencing many sources of information and with interesting virtual and offline experiences

## **Characteristics of Gen Z consumers:**

- (i) Gen Z consumers don't define themselves in only one way or through only one stereotype but rather they experiment with different ways of being themselves and to shape their individual identities over time
- (ii) Gen Z consumers are radically inclusive. They don't distinguish between friends they meet online and friends in the physical world. They continually flow between communities that promote their causes by exploiting the high level of mobilization technology makes possible
- (iii) Gen Z consumers have fewer confrontations and more dialogue. They believe in the importance of dialogue & accept differences of opinion with the institutions in which they participate and with their own families. They can interact with institutions that reject their personal values without abandoning those values
- (iv) Gen Z consumers, with vast amounts of information at their disposal, are more pragmatic, realistic and analytical about their decisions than members of previous generations were

## **Consumption characteristics of Gen Z consumers and its marketing implications:**

- (i) As Gen Z consumers are more pragmatic & realistic they expect to access and evaluate a broad range of information before purchases
- (ii) Gen Z consumers analyze not only what they buy but also the very act of consuming
- (iii) Consumption, for the Gen Z consumers have become a means of self-expression as opposed to buying or wearing brands to fit in with the norms of groups. They are not only

eager for more personalized products but also willing to pay a premium for products that highlight their individuality

- (iv) Gen Z consumers increasingly expect brands to 'take a stand'. If a brand advertises diversity but lacks diversity within its own ranks, for example, that contradiction will be noticed

### **Strategies for marketing to Gen Z consumers:**

- (i) To sell experiences and not merely the product
- (ii) Video content is the key as the generation is influenced greatly visual or video content, so use of social media platforms, Youtube, Tiktok etc. would make impact
- (iii) Influencer campaign, as the gen Z consumers are influenced by the 'influencer' opinions, choices & recommendations across various platforms like Instagram
- (iv) Engage with the customers, as these consumers are very keen to refer feedbacks and reviews to determine the authenticity of product or brand
- (v) Highlight dedication to consumers' privacy, as the generation is very specific & concerned about protecting their privacy

### **HNI consumers in India:**

- HNI consumers are the 'High Net worth Individuals' who are potential consumers having a high value income and providing business to the companies. These consumers will be given priority over other consumers by the marketers while designing their marketing strategies.
- Those with more than Rs. 5 Crore in investible surplus are called as HNI whereas those with more than Rs. 30 Crore surplus fall in the bracket of Ultra HNIs.

Ex. Marketing strategies adopted by Banking & Financial institutions like Platinum Club cards, premium doorstep banking services by Kotak, ICICI, Axis Banks; Advertisements by luxury brands like Dior, Prada, Armani, Versace, DKNY etc.

### **Diffusion of Innovation**

‘Diffusion of Innovation’ is the process by which the adoption of an innovation spreads over a period of time to other consumers through communication. It helps to explore the area of consumer acceptance of new products by understanding two closely related processes

- (a) The diffusion process and
- (b) The adoption process

#### **Innovation:**

‘Innovation’ can be any idea, practice or material artifact perceived to be new by the relevant adopting unit.

#### **Types of innovation:**

- (i) ***Continuous innovations:*** which have the least disrupting influence on established consumption patterns
- (ii) ***Dynamically continuous innovations:*** which have more disrupting effects than do continuous innovations, although they do not generally alter established patterns.
- (iii) ***Discontinuous innovations:*** which involve the establishment of new products with new behaviour patterns

#### **Diffusion of innovation process:**

The diffusion process is concerned with the acceptance of an innovation (a new product or service or idea or practice), when spread by communication (mass media, sales personnel or

informal communication) to members of a social system (the target market) over a period of time.

**Four basic elements of Diffusion process:**

- (i) The innovation
- (ii) The channels of communication
- (iii) The social system
- (iv) Time

**Stages of adoption process:**

- (i) Awareness
- (ii) Comprehension
- (iii) Attitude
- (iv) Legitimation
- (v) Trial
- (vi) Adoption



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**Factors encouraging adoption process in diffusion of innovation:**

- (i) Relative advantage of the product
- (ii) Compatibility of the product
- (iii) Complexity of the product
- (iv) Product facilitating trials
- (v) Communicability or observability of the results and product features

**Barriers in adopting an innovation in the process of diffusion of innovation:**

- (i) **Value barrier** – product’s lack of relative advantage when compared to its substitutes
- (ii) **Usage barriers** – a product or service is not compatible with the consumer’s existing habits
- (iii) **Risk barriers:** consumer’s physical, economic performance or social risk in adopting an innovation

**Time factor in Diffusion process:**

Time plays a very important part in the diffusion of innovation process. Knowing the **purchase time** will help the marketer to determine the average time a consumer is likely to take to adopt the new product. The **rate of adoption** will indicate how long it will take for a new product or service to be adopted by the members of a social system

**Category of adopters based on the ‘Time’ factor in the ‘Diffusion of innovation’ process:**

- (i) **Innovators:** After being aware of & seeking more information of new products, **2.5%** of all customers try out the new product & also referred as pioneers
- (ii) **Early adopters:** **13.5%** of the buyers adopt the new idea or product immediately after carefully verifying & gathering information from authentic sources
- (iii) **Early majority:** Next **34%** of the customers are more deliberate, thoughtful & shrewd & won’t get easily swayed by the new products or innovation. They wait & watch & learn by hearing from the experience of early adopters
- (iv) **Late majority:** Next **34%** of buyers are more conservative in approach & do not immediately respond in favour of change. They accept the new product only after a public opinion in favour of a new product or innovation

- (v) **Laggards:** These **16%** of the customers are people who lag behind in acceptance of an innovation. They are very conservative, tradition bound & are suspicious of change. A lot of deliberation, caution & suspicion is exhibited in their buying behaviour of new product

**Non-adopter categories of consumers in the process of diffusion of innovation:**

- (i) **The unaware group:** those consumers who are not aware of the new product
- (ii) **Symbolic rejectors:** who, though aware of the product, have decided against buying it
- (iii) **Symbolic adopters:** who know the product will be useful for them but have not tried it
- (iv) **Trial adopters:** who have tried the product but have not gone for a repurchase or actual purchase
- (v) **Trial rejectors:** who have tried the product and also rejected the same

**Communication & Diffusion:**

**channels of communication in the process of diffusion of innovation:**

- (i) **Personal sources:** Family, friends, neighbors, acquaintances
- (ii) **Commercial sources:** Sales people, advertising, sales promotion techniques
- (iii) **Public sources:** Mass media, consumer rating organizations
- (iv) **Experimental sources:** Demonstrations, handling samples

**Marketers must work on two channels of communication:**

- (i) **Mass media:** Advertisements in mass media such as magazines, newspapers, radio FM, TV, social media should be used to create awareness among the early adopters as well as convey product information to the target consumers at large
- (ii) **Word-of-mouth:** Marketers should work towards stimulating favourable word-of-mouth communication among the late adopters

## **UNIT-IV: Consumer Decision Making Process**

### **Stages of Consumer Decision Making Process:**

- (i) Problem / Need Recognition
- (ii) Information Search & Evaluation
- (iii) Purchase Decision
- (iv) Post-Purchase Behaviour

### **Types of consumer decisions:**

- (i) What to buy?
- (ii) How much to buy?
- (iii) Where to buy?
- (iv) When to buy?
- (v) How to buy?

### **Consumer problem solving approaches:**

**(i) Routine Problem Solving (RPS):** When consumers buy a brand they have purchased before, it usually involves little or no information seeking & is performed quickly. Consumers are brand loyal & tend to buy in a habitual, automatic & unthinking way

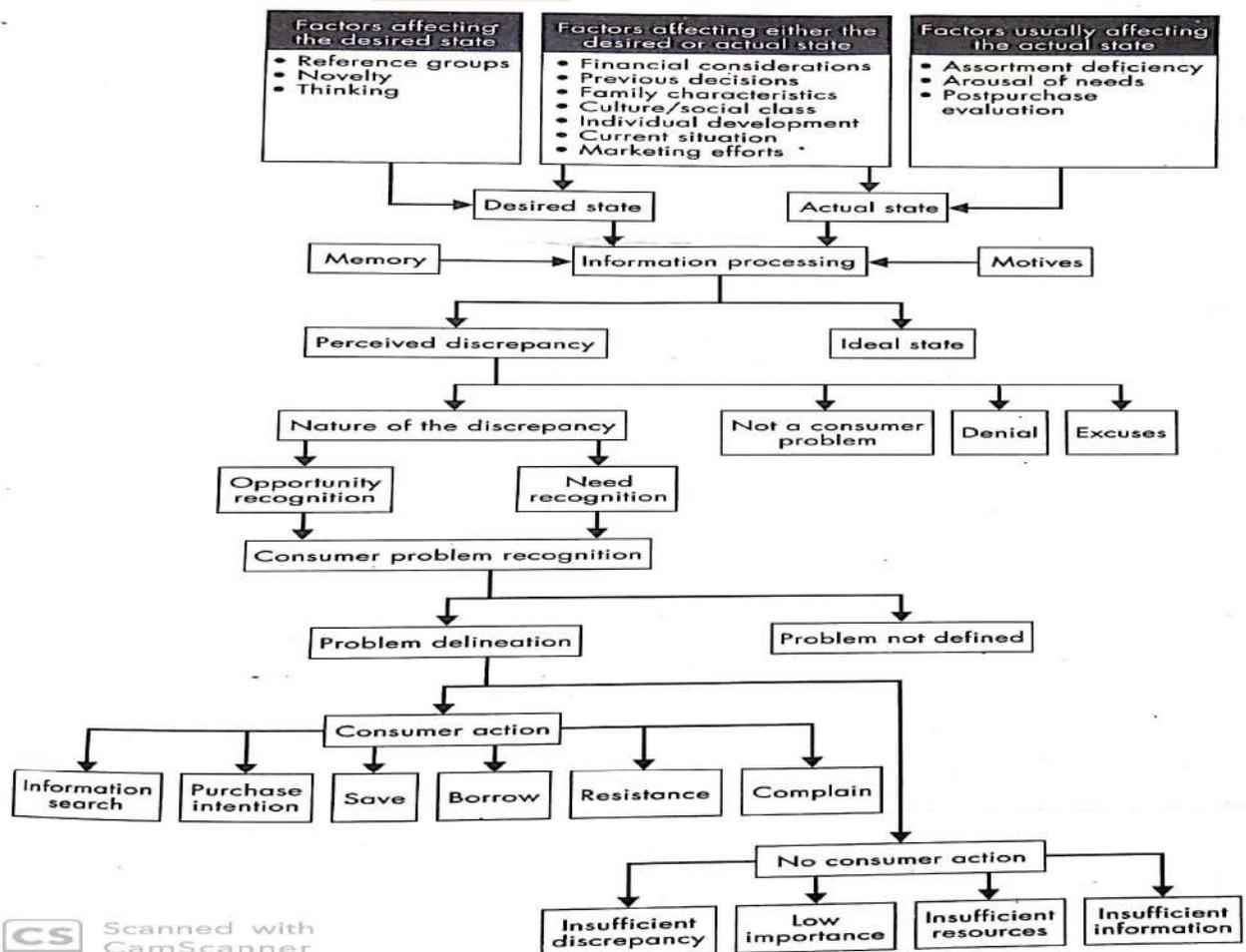
**(ii) Limited Problem Solving (LPS):** When consumers buy a new brand in a familiar product category, it usually involves a moderate amount of information seeking & time in choosing

**(iii) Extensive Problem Solving (EPS):** When consumers buy in an unfamiliar product category, it usually involves the need to obtain substantial information & a longer time to choose. They must form a concept of the new product category & determine the criteria to be used in choosing a brand.

**Characteristics of Consumer problem solving approaches:**

Characteristics	Routine Solving Problem	Limited Solving Problem	Extensive Solving Problem
Purchase Involvement Level	Low	Medium	High
Problem Recognition	Automatic	Semiautomatic	Complex
Information Search & Evaluation	Minimal	Limited	Extensive
Purchasing Orientation	Convenience	Mixed	Shopping
Post-purchase processes	Very Limited Habit Brand Loyalty	Limited Inertia to re-purchase Brand switching if dissatisfied	Complex Loyalty if satisfied Complaint if dissatisfied

**Problem Recognition**



**Types of Problem Recognition:** *Four types* based on (i) factors of *immediacy* of required solution & (ii) 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

**(1) Routine Problems:**

- Difference between actual & desired states is expected to occur & an immediate solution is required.

- Ex. Purchase of convenience goods like grocery
- “At need” purchases of goods & services

**(2) Emergency Problems:**

- Unexpected problems in which Immediate solutions are necessary
- Ex. In case of a two wheeler or Car used for daily commutation fails or breaks down, the person need a quick solution to his transportation problem
- There is little time for deliberations & to engage in shopping for perfect solution but to avail reasonably satisfactory & immediate solution

**(3) Planning Problems:**

- Occur when the problem occurrence is expected but an immediate solution is not necessary

- The type that can lead to purchase of “pre-need” goods & services like a person staying in a rented house now plans to buy own home after a year or if a person’s old vehicle is expected to be / need to be replaced after six months
- Ex. Life/Health/Medical Insurances, Auto, Home etc.
- Marketers develop strategies to target consumers before the need arises

#### ***(4) Evolving Problem:***

- Occur when the problem is unexpected but no immediate solution is required
- Ex. New fashion trends, apparels, accessories etc.
- There may be no initial desire to own the specific item, but over a time, as the innovation spreads (diffusion of innovation) & more consumers buy the item, a discrepancy between the consumers’ desired & actual state may develop & increase

#### **Situations leading to Problem Recognition:**

- (i) Depleted or inadequate stock of goods
- (ii) Discontentment with the stock of goods
- (iii) Changing Environmental Circumstances
- (iv) Changing Financial Circumstances
- (v) Marketing Activities

#### **Utilizing Problem Recognition Information / Marketing Implications:**

**(1) Measuring Problem Recognition / Measuring Readiness to buy:**

<b>Predisposition</b>	<b>Attitudes</b>
Firm & immediate intent to buy a specific brand	"I am going to buy some right away"; "I am going to buy some soon"
Positive intentions without definite buying plans	"I am certain I will buy some sometime"; I probably will buy some sometime
Neutrality: Might buy, might not buy	"I may buy some sometime"; "I might buy some sometime, but I doubt it"
Inclined not to buy the brand but not definite about it	"I don't think I am interested in buying any"; "I probably will never buy any"
Firm intention not to buy the brand	"I know I am not interested in buying any"; "If somebody gave me some, I would give it away, just to get rid of it"
Never considered buying	"I have never heard of the brand"

**(2) Activating Problem Recognition:**

- Activities focused on the customer's *desired state* and / or perception of the *actual state*

**(i) Influencing the desired state:**

- Influencing consumers' desired state by advertising stressing benefits of product ownership
- Ads often point out how ownership & use of the product solves the consumers' problem.
- Ex. Fade up of ironing? Presenting Wrinkle free shirts by Van Heusen

**(ii) Influencing Perception of the Actual State:**

- Marketers may attempt to interrupt consumers' habitual purchase and automatic decision-making sequence by having them consider other alternatives.
- Ex. Happy with your savings & Fixed deposit interest? Is it enough to secure your future? Think of 'Mutual Funds' or some 'Money Grow Insurance Plan' – An adv. Campaign by a mutual fund or insurance company

***(iii) Influencing the Timing of Problem Recognition:***

- Most consumer activities involves “at-need” purchase, that is, where products & services are purchased only when current consumption needs are felt
- Many marketing activities are designed based on the assumptions that buying occurs shortly before actual consumption.
- Ex. Advertisements, hoardings of cold-drink & energy drink brands on the tourist destinations, travel & expedite routes so as to influence the travelers, explorers, and trekkers etc. to purchase the cold-drink to quench their thirst & boost the energy.

**(3) Utilizing Problem-Recognition Information:**

***(i) Analyzing Purchase Intention Categories:***

- Consumers holding favourable disposition toward the brand/product are increasing their intentions to purchase it
- Deficiencies at the point of sale may be a reason for failure to convert predispositions into purchases
- Strategies like price reductions or special promotional deals might be called for in such situations
- Ex. Strategies adopted at an branded apparel/cloth store irrespective of the category of consumers’ predisposition or purchase intentions

***(ii) Analyzing Conversion of Purchase Intentions:***

- Marketer may adopt a marketing strategy by investigating the relationship between purchasing intentions & buying behaviour
- He tries to obtain a clearer picture of which brands are converting predispositions into buying actions

- This information can help him to determine the point at which marketing success or failure is occurring & isolate the reasons
- Ex. A consumer having a predisposition or purchasing intention to buy an Air Conditioner takes a buying action by choosing & purchasing a specific brand over the other brands

### Search & Evaluation

#### **Types of Consumer Search Activities:**

- (1) **Pre-purchase Search:** When the consumer recognize a problem, he would engage in the pre-purchase search
- (2) **Ongoing Search:** This is characterized as search activities independent of specific needs or decisions; that is, it does not occur in order to solve a recognized & immediate purchase problem. Thus if a consumer is searching with an interest in a product (like a Smartphone) but with no demand or need for the product, the search would be ongoing rather than pre-purchase
- (3) **Internal Search:** This is the first stage after the consumer experiences problem recognition. It is a mental process of recalling & reviewing information stored in memory that may relate to the purchase situation. Ex. A consumer considering buying a laptop may recall a negative comment made by his friend in the past about specific brands
- (4) **External Search:** This refers to the process of obtaining information from other sources like advertisements, friends, salespeople, store displays & product testing magazines

#### **Types of Information:**

- (1) *Information about the existence & availability of various product & service offerings:* Ex. Companies, product variants, models, brands of Smartphone available on both offline & online marketplace

- (2) *Information useful in forming evaluative criteria:* The standards which are employed to evaluate alternatives. Ex. Smartphone memory, Battery performance, Camera quality, inbuilt functions & apps etc.
- (3) *Information on the properties & characteristics of alternatives:* Ex. Features & characteristics of various Smartphone brands on all parameters or evaluative criteria

**Sources of Information:**

- (1) **Marketer-dominated sources:** Information from marketer-dominated channels like salespeople, packaging, advertisements, sales promotion activities & campaigns, exhibitions, trade fairs, digital marketing etc.
- (2) **Consumer Sources:** Include all those interpersonal communications not under the control of the marketer like word-of-mouth communication, group influences, opinion leaders or expert advice, digital & social media platforms, consumer reviews, influencer recommendations etc.
- (3) **Neutral Sources:** Includes portion of the Mass Media, Government Reports, Publications from independent product testing agencies

**Search, Experience & Credence Aspects in Information Search & Evaluation:**

- (1) **Search Goods:** are the goods, consumers have clear perception of what they want & a certainty of the product/service usefulness in a predictable way.
- These products or services have attributes customer can readily evaluate before they purchase.
  - Well informed buyers are aware of the substitutes & are likely to be more price sensitive. Other buyers are either brand loyal or will go for brand reputation
  - It induces marketers to copy the most popular features & benefits of these type of products

Ex. Pharmaceutical companies or Drug stores provide highly uniform medicines; Banks provide highly uniform monetary services; All grocery stores provide almost similar goods & uniform services

**(2) Experience Goods:** are those where price, quality or some other attribute remains unknown until purchase

- These products or services can be evaluated only after purchase.

- Consumers show a willingness to take a risk on how satisfying the product will be
- But once a person has consumed the product or availed the service, he can readily evaluate his satisfaction with it.
- The knowledge of prior customers' satisfaction is highly influential to those considering the same choice (Customer reviews, Influencer's recommendations etc.)
- Ex. Customer visiting a new restaurant, Customer visiting a petrol or gas station, concert or a theater show, Airlines, holiday resorts
- Product brand & reputation play an important role due to consistency of quality & loyalty

**(3) Credence Goods:** are the most interesting to marketers, because even after their purchase & use, customers may still be unable to assess their quality

- These products or services have attributes buyers cannot confidently evaluate, even after one or more purchases

- This is often the case with expert or high-end services like lawyers, specialist doctors, mechanics, management consultants, Chartered Accountants, Prestigious institutes & universities like IITs, IIMs, Oxford, Cambridge etc., renowned Gyms like Gold gym & fitness experts.
- These type of goods & services has more to do with the consumers' own circumstance than the skill of experts helping them

- So superior or inferior results than expectations has nothing to do with the personal expertise or quality of product or service but with the circumstances of the consumer.

## **Situational Influences on Purchase Decision:**

### ***Nature of Situational Influence:***

- Situational influence includes all those factors particular to a time & place that do not follow from a knowledge of the stable attributes of the consumer & the stimulus & that have an effect on current behaviour
- Consumers often behave very differently depending on situation

### **Situational Influence:**

#### ***Four types of situations:***

- (i) ***Communication situation:*** Where? Alone or with others? Surrounding noise?
- (ii) ***Purchase situation:*** Where? Alone or with others? In a hurry?
- (iii) ***Usage situation:*** With guests or alone? For pleasure or for work?
- (iv) ***Disposal situation:***
  - Before the next purchase? Trade-ins?
  - After the purchase, ex. packaging

#### **(i) *The Communication Situation:***

- The situation in which consumers receive information which has an impact on their purchase decision
- Marketers attempt to place ads in appropriate media contexts to enhance effectiveness

- Ex. Movie ads/banners/hoardings are strategically placed at prominent locations in the city & outside the multiplexes so that consumers see those while commuting to and from work

***(ii) The Purchase Situation:***

- The situation in which a purchase is made can influence purchase decision:
- Marketers must adapt strategies to the purchase situation
- Ex. Home purchase occur in a unique social situation & to succeed, realtors must take the opportunity to develop interpersonal relationships

***(iii) The Usage Situation:***

- Marketers need to understand the usage situations for which their products are, or may become, appropriate
- Expanded usage situation strategies can generate major sales gains
- Ex. Multi-utility & convertible furniture

***(iv) The Disposal / Disposition Situation:***

- Consumers must frequently dispose of products or product packages
- Disposal can create significant social problems as well as opportunities for marketers
- Some consumers consider ease of disposition an important product attribute

Ex. Big Bazaar's campaign of purchasing newspaper or old items, Replacement or Exchange offers on consumer durable products, buyback of milk polythene pouch by a dairy company etc.

**Dimensions of Situational Influence:**

- (i) Physical Surroundings
- (ii) Social Surroundings

(iii) Temporal perspectives

(iv) Task definition

(v) Antecedent states

**(i) Physical surroundings:**

- Store location
- Interior décor
- Music
- Smell / Aromas
- Temperature (Air conditioning)
- Choice provided (by product category or across the categories)

**(ii) Social surroundings:**

- Presence of other individuals in the particular situation
  - Social influence is a significant force
  - Individuals tend to comply with group expectations, particularly when the behaviour is visible
  - Shopping is a highly visible activity
  - The use of many publicly consumed brands are subject to social influences
  - Ex. Type of customers in the store, queues & crowding, likeliness of the consumer known or recognized by others, presence of high profile people shopping at the store, type of product to be consumed privately or publicly

**(iii) Temporal perspectives:**

- Temporal perspectives deal with the effect of time on purchase decision
- Limited purchase time often limits search
- Internet/e-commerce shopping is growing rapidly as a result of the time pressures felt by consumers
- Ex. Seasonal products like accessories for rainy season, urgently required products like snacks between movie intervals, limited time available for shopping for a sudden occasion/event/function

**(iv) Task definition:**

- Task definition is the reason the purchase activity is occurring
- Major distinction between purchases for self Vs. gift
- Consumers give gifts for many reasons like social expectations, ritualized situations, elicit return favours
- Ex. Is the product utilitarian or used as a status symbol?, Is it a gift or for oneself? Must the product be durable or decorative? Is the product intended for multiple uses like laptop, pc etc.

**(v) Antecedent states:**

- Antecedent states are features of the individual person that are not lasting characteristics
- Ex. Moods: Feeling sad triggers buying sweets or seeing a funny movie; feeling rejected triggers buying games' software
- Ex. Momentary conditions: Can't eat ice cream because teeth hurt; Can't buy a book because the credit card was left at home; Buy more groceries because hungry before shopping

## **Purchasing Process**

### **Why do people shop?**

#### **(1) Personal Motives:**

- Role playing: Shopping activities are learned behaviour and are expected or accepted as part of one's position or role, such as mother or housewife
- Diversion: Shopping can offer a diversion from the routine of daily life and is a form of recreation
- Self-gratification: Shopping may be motivated not by the expected utility of consuming, but by the utility of the buying process itself. Thus, emotional states or moods may explain why & when someone goes shopping
- Learning about new trends: Shopping provides consumers with information about trends & movements & product symbols reflecting attitudes & lifestyles
- Physical activity: Shopping can provide a considerable amount of exercise
- Sensory stimulation: Shopping can provide sensory benefits such as looking at & handling merchandise, listening to the sounds (noise, silence, soft background music) and smelling the scents

#### **(2) Social Motives:**

- Social experience outside the home: Shopping can provide opportunities for seeking new acquaintances, encounters with friends or just 'people watching'
- Communication with others having a similar interest: Shopping often affords an opportunity to interact with customers or salespeople having similar interests
- Peer group attraction: Certain stores provide a meeting place where members of a peer group may gather

- *Status & authority:* Shopping may provide an opportunity to attain a feeling of status & power by being waited on
- *Pleasure of bargaining:* Shopping may offer the enjoyment of gaining a lower price through bargaining, companion shopping or visiting special sales

## Store Purchasing Process

As the number of products and brands are increasing in the market, so are the retail outlets, and it becomes very confusing for the customer to choose the retail stores.

The selecting of a retail store also involves almost the same process as selecting a brand.

A retail outlet relates to a service or a product which caters to the consumer.

The retail trade occurs from the stores, but it also occurs from catalogues, direct mail via print media, television and radio.

It has become very challenging and exciting, both for consumers and marketers as the consumer may give first preference to the store or the product or, he may give equal importance to both.

### **Store Choice / Selection:**

#### (i) ***Outlet Image:***

- It is the perception of the consumer about the store.
- It concerns all the attributes associated with the store
- Some stores which try to be “everything to all customers” fail miserably, as their image is not focused in a proper manner so the target market must be well defined
- There can be junior stores, senior stores, veteran stores, feminine stores, low-priced stores, elite stores, etc.

- Some stores concentrate on providing service when it is not available easily. They provide service all round the clock, and give a lot of importance to service. All these aspects create image in the minds of the consumer.

### **(ii) Advertising:**

- Retailers use price advertising and attract people to stores
- People usually come to buy the advertised items and also end up buying other products, such sales of additional items is known as spillover sales
- Price is also an important factor for purchasing the product and following decisions in this regard are necessary:

**(a)** How much discount should be given?

**(b)** How long should the discount last?

**(c)** How should the information be given to the target customer?

**(d)** Should preference or comparison price be used?

- Consumers perceive price advertisement as reduction in price
- Many advertisers project the regular price, as well as the offered price, showing a discount or a substantial savings
- Reference price is the price compared with other products on sale
- Other factors like product category, brand, initial price level, consumer group and retail outlet is also to be considered in price advertising.

### **(iii) Outlet Location and Size:**

- The consumers tend to buy from the store that is closest & convenient to them

- People will go to smaller stores or nearby stores for minor items, but for purchasing items of high value, or specialty items, people will take the trouble of going to distant places and choose the best
- Travel time to reach the store is an important factor. If it takes more than 15 minutes to reach the store and if there are traffic jams in the way it is a hindrance or a barrier in the way of shopping for many consumers
- Consumers like ample space to move around and want to see the displays and the products closely
- Stores in attractive surroundings are preferred to those in unattractive surroundings

#### ***(iv) Consumer Characteristics:***

- Different consumers have different reasons and different desires for shopping
- Some buy for convenience others for an image, some others for fulfilling obligations, etc.

#### **Store Purchasing Behaviour:**

##### ***(i) Perceived Risk:***

- Economic risks are concerned with monetary aspects whereas, social risk is concerned with the approval of the society
- Various risks involved & perceived by consumer gives a lot of information to retailers for formulating a retailing strategy. These risks are, Financial risk →paying more; Social risk →does not meet the approval of social group; Psychological risk →loss of self-esteem, others buying at cheaper rates; Performance risk →not performing; Physical risk →bodily harm, faulty brakes, adulterated food etc.
- Economic risk can be reduced through warranties and other price policies. But Social risk is harder to reduce and skilled sale force and known brands should be used

##### ***(ii) Shopping Orientation:***

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- There are many reasons for shopping like acquiring a product or for making social interaction or for exercise or just for looking around and gaining more product knowledge
- These motives may be different for different individuals and the purpose for shopping may also vary. Shoppers are therefore categorized into seven different categories, as given below:

(a) **Inactive shoppers** do not enjoy shopping and are not concerned much with price, product selection, etc. They have a restricted lifestyle and restricted interest in shopping

(b) **Active shoppers** enjoy shopping, and like to find out about various products. They are knowledgeable and balance price with quality, fashion, attributes, etc.

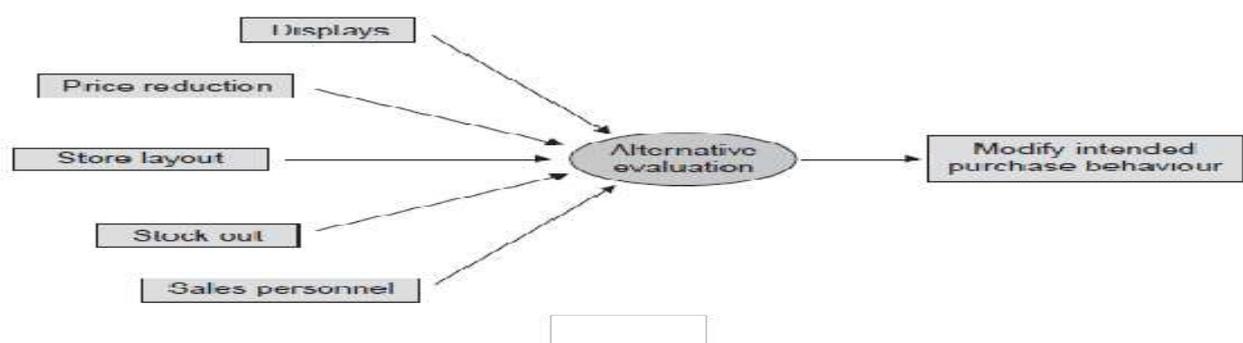
(c) **Service shoppers** give importance to service by the shopkeepers. Both in-store and after-sales service is their main consideration

(d) **Traditional shoppers** are active shoppers and engage in outdoor activities. They are knowledgeable and not price sensitive

(e) **Price shoppers** are price conscious. They make a lot of search and find the lowest price available. They take the help of the media for this purpose

(f) **Dedicated fringe shoppers** are catalogue shoppers, and have little interest in television and radio. They are not store loyal. They don't socialize and do things by themselves

(g) **Transitional shoppers** are experimental and keep changing stores and products. They do not go for low price and buy products that interest them most.



**(iii) Point of Purchase Displays:**

- They become very effective in case of snacks, foods, etc. and the impact of these displays is tremendous and can be enhanced when combined with advertising

**(iv) Price reductions:**

- Price reductions can be in the form of discounts, coupons, gifts. When price reduction is given to the consumer, the preference for these brands becomes more enhanced and the brand moves faster than the competing brands
- The consumer may buy the product because he is getting it cheaper, and may stock the product in a greater quantity than is desired. This is known as stockpiling
- The users of competing brands may switch to the low price brand for the time being and, may or may not become permanent buyers of the brand
- The price reduction may induce the non buyers to visit the stores and strike a bargain

**(v) Store layout:**

- Prominently displayed products with good lighting and visibility, attract greater attention of buyers and have more chances of being sold
- The store layout should not be monotonous, and be changed after intervals of time to give it a more innovative look
- The principle of store displays and various types of displays must be practiced

**(vi) Store atmosphere:**

- A congenial atmosphere influences a person psychologically, and good environment, makes the customer stay a longer time in the shop, which enhances the chances of sales
- In atmospherics we give importance to lighting, floor layout, presentation fixtures, colors, sound, dress, behavior of salesman

- The types of racks used, and the way the merchandise displayed on them, also influences the atmosphere

**(vii) Stock out:**

- If a product or a brand is out of stock, *i.e.*, not available at an appropriate time, the consumer gets tempted to switch brands or delay the purchase
- If the stocks are not available when required, it influences the purchase behavior of the consumers in many ways:

He may purchase a substitute product or brand.

He may delay the purchase.

Forego the purchase entirely.

Purchase the desired brand at another store.

He may make negative comments about the product/brand.

He may praise the substitute product and adopt the new product/brand permanently.

He may develop a poor opinion of the store he had been patronizing.

He may visit alternative stores quite often

**(viii) Sales personnel:**

- It is the sales person that educates and enlightens the prospective customer
- many retail stores train their salesman both in the selling process and in closing the sales to the prospective customer and ensuring consumer satisfaction

**(ix) Purchase:**

- The trend these days is shifting to credit sales, which can be done by using various credit cards various types of credit facilities & services

- Marketers are competing to provide credit facility. In fact, credit has also become a product. Firms want to sell their credit facilities to the consumer

- **Non-Store Purchasing Process**

With the evolution of online communication through internet, customers now see online advertisements of various brands.

It is fast catching up with the buying behavior of consumers and is a major source of publicity for niche segments and also for established brands.

This is the new way of digital revolution and businesses worldwide have realized their worth.

**Examples** – Online catalogues, Websites, Search engines, e-Commerce Apps, Social media & other digital platforms.

When customers have sufficient information, they will need to compare with the choices of products or services.



## **Non-store Consumer Behavior Process:**

- (1) The most useful characteristic of internet is that it supports the pre-purchase stage as it helps customers compare different options.
- (2) During the purchasing stage, product assortment, sale services and information quality seem to be the most important point to help consumers decide what product they should select, or what seller they should buy from.
- (3) Post-purchase behavior will become more important after their online purchase. Consumers sometimes have a difficulty or concern about the product, or they might want to change or return the product that they have bought. Thus, return and exchange services become more important at this stage.

## **Factors of Non-store Consumer Behavior:**

- **The External Factors** are the ones beyond the control of the customers. They can divide into five sectors namely demographic, socio-economic, technology and public policy; culture; sub- culture; reference groups; and marketing.
- **Internal Factors** are the personal traits or behaviors which include attitudes, learning, perception, motivation, self image.
- **The Functional Motives** is related to the consumer needs and include things like time, convenience of shopping online, price, the environment of shopping place, selection of products etc.
- **The Non-Functional Motives** related to the culture or social values like the brand of the store or product.

## **Choice / Selection of Non-store platform:**

- Security
- Privacy

- Trust and Trustworthiness
- Essential benefits
- performance and not blank promises
- competency

### **Services and Products:**

- A customer normally looks for the following services:

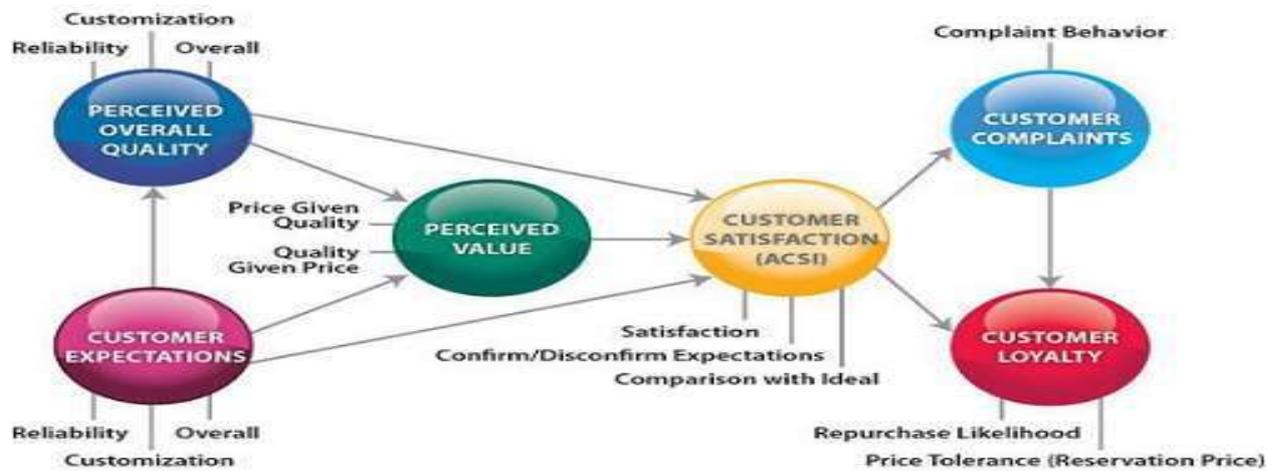
- (i) A customer wants consistency, which is the capacity to perform the promised services, reliably and accurately.
- (ii) A customer wants tangibility or the form of physical facilities, equipment, workforce and other materials.
- (iii) A customer wants reaction/response – to an inquiry, complaint or a call.

### **Marketing Implications:**

#### **(i) Working towards Enhancing Customer Satisfaction:**

- Attempt continuously to provide additional customer value in every transaction.
- Try to provide surprise benefits.
- Constantly express the expectations that the customer has around your product.
- Treat the customer exclusively.
- Look for expectations and performance gaps in order to identify opportunities to delight

**(ii) Customer Expectation and Satisfaction:**



**Purchasing Patterns**

- (1) The extent to which consumers develop repeat purchasing patterns
- (2) The extent to which purchases are unplanned

**Brand Loyalty:**

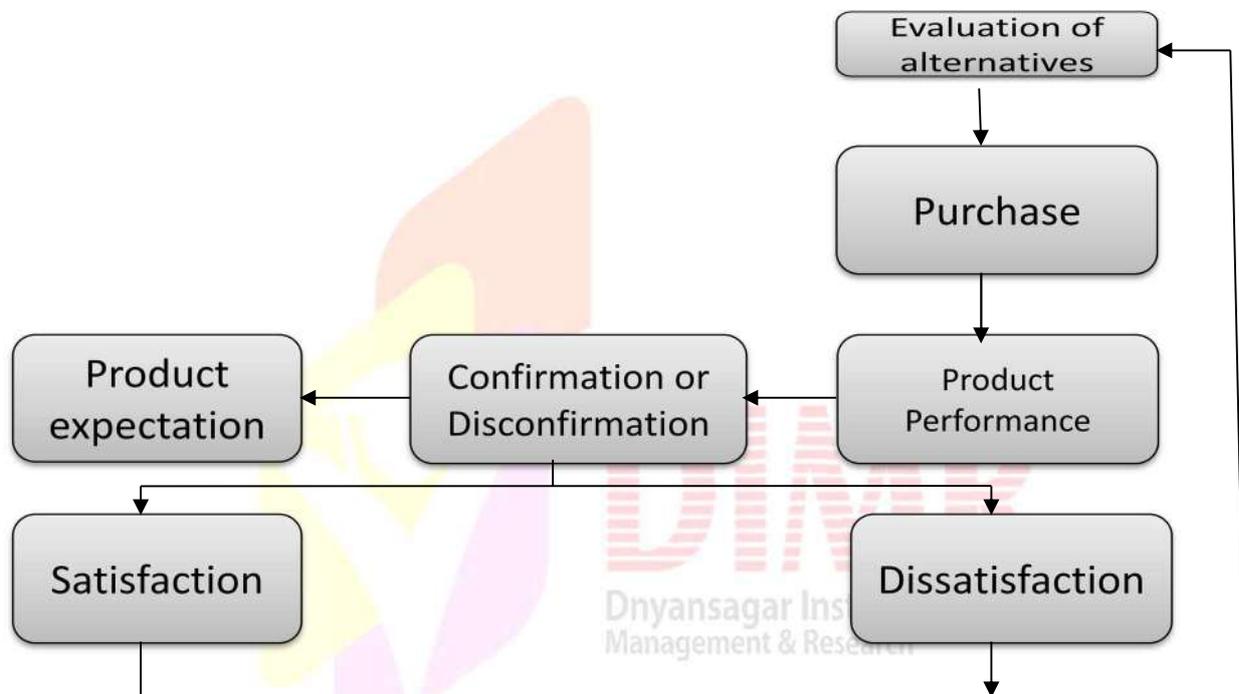
- Undivided loyalty: A A A A A A
- Divided loyalty: A B A B A B
- Unstable loyalty: A A A B B B
- No loyalty: A B C D E F

**Impulse Purchasing:**

- Pure impulse: A novelty or escape purchase which breaks a normal buying pattern
- Suggestion impulse: A shopper having no previous knowledge of a product sees the item for the first time & visualizes a need for it

- Reminder impulse: A shopper sees an item & is reminded that the stock at home needs replenishing, or recalls an advertisement or other information about the item & a previous decision to purchase
- Planned impulse: A shopper enters the store with the expectation & intention of making some purchases on the basis of price specials, coupons & the likes

### Post-purchase Evaluation & Behaviour



#### **Consumer Satisfaction / Dissatisfaction:**

- Satisfaction refers to the buyer's state of being adequately rewarded in a buying situation for the sacrifice he has made
- Satisfaction is a kind of stepping away from an experience & evaluating it. A pleasurable experience could also cause dissatisfaction it may not be as pleasurable as supposed or expected to be. So satisfaction or dissatisfaction isn't an emotion, it's the evaluation of an emotion

- Consumers form certain expectations prior to the purchase. These expectations may be about,
  - (i) The nature & performance of the product or service (that is, the anticipated benefits to be derived directly from the item)
  - (ii) The costs & efforts to be expended before obtaining the direct product or service benefits &
  - (iii) The social benefits or costs accruing to the consumer as a result of the purchase on significant others
- Several determinants appear to influence satisfaction, including demographic variables, personality variables, expectations etc.

Ex. - Older consumers tend to have lower expectations & to be more satisfied;

- Higher education tends to be associated with lower satisfaction; Men tend to be more satisfied than women;
- Person having more confidence in purchase decision making & having more competence & expertise in product area, tend to have greater satisfaction;
- Greater satisfaction when relevant others are perceived to be more satisfied;
- Person satisfied with their lives as a whole show high level of product satisfaction;
- Person having more favourable attitudes toward the marketplace, business firms & consumerism tend to have more product satisfaction
- Consumers' emotional experiences in connection with product ownership and usage and resultant positive affective responses need to be stimulated by marketers in the post-purchase period in order to enhance consumers' satisfaction & possibly favourable word-of-mouth communication

- In case of consumer dissatisfaction consumer seek to understand why products fail and seek to know three features about the causes of a problem:

- (i) stability (is it temporary or permanent?)
- (ii) Locus (is the problem with the consumer or the company?)
- (iii) Controllability (is the problem within or outside the control of someone?)

The result of satisfaction to the consumer from the purchase of a product or service is that more-favourable post-purchase attitudes, higher purchase intentions and brand loyalty are likely to be exhibited

On the other hand, if consumers are dissatisfied, they are likely to exhibit less-favourable post-purchase attitudes, lower or non-existent purchase intentions, brand switching, complaining behaviour and negative word-of-mouth

### **Customer Delight:**

- Customer delight is the process of exceeding a customer's expectations to create a positive customer experience with your product or brand to improve loyalty
- Customer delight is the process of surpassing customers' expectations to build a long term, positive experience around your product or service and brand. Customer satisfaction happens when you simply meet customers' expectations

### **Consumer Complaint Behaviour:**

- What happens when consumers experience dissatisfaction?
  - (i) Consumers may exhibit unfavourable word-of-mouth communication;
  - (ii) Consumers may not repurchase the brand
  - (iii) Complain:

- (a) Complainers tend to be members of more upscale socioeconomic groups than non-complainers
- (b) The severity of the dissatisfaction or problems is positively related to complaint behaviour
- (c) Complaining is more likely when there is a more positive perception of retailer responsiveness to customer complaints

**Classification of dissatisfied consumers on the basis of the way of communication of dissatisfaction:**

(i) ***Passives:***

- Likely to be less alienated from the marketplace
- Tend to have less positive attitude toward complaining due to its social benefits
- Tend to feel less positive toward complaining because of personal norms
- Less positive evaluation of consequences of third-party responses
- Less positive evaluation of consequences of private responses
- Less positive evaluation of consequences of voice responses
- Somewhat likely to be younger

(ii) ***Voicers:***

- Likely to be less alienated from the marketplace
- Tend to have positive attitude toward complaining due to its social benefits
- Tend to feel more positive toward complaining because of personal norms
- Less positive evaluation of consequences of third-party responses
- Less positive evaluation of consequences of private responses

- Very positive evaluation of consequences of voice responses
- Somewhat likely to be older

**(iii) Irates:**

- Likely to be more alienated from the marketplace
- Tend to have positive attitude toward complaining due to its social benefits
- Tend to feel more positive toward complaining because of personal norms
- Less positive evaluation of consequences of third-party responses
- Very positive evaluation of consequences of private responses
- Somewhat positive evaluation of consequences of voice responses
- Somewhat likely to be older

**(iv) Activists:**

- Likely to be more alienated from the marketplace
- Tend to have very positive attitude toward complaining due to its social benefits
- Tend to feel very positive toward complaining because of personal norms
- Very positive evaluation of consequences of third-party responses
- Very positive evaluation of consequences of private responses
- Very positive evaluation of consequences of voice responses
- Somewhat likely to be older
- ✓ It is important for marketers to realize that complaints are actually opportunities and simply listening to complaints tremendously boosts brand loyalty

- ✓ The companies like GE, Coca-cola, British Airways, Microsoft, Apple are investing millions of dollars to improve complaint handling.

### **Post-purchase Dissonance:**

- Cognitive dissonance occurs as a result of discrepancy between a consumer's decision and the consumer's prior evaluation.
- Dissonance theory is derived from two basic principles:
  - (i) Dissonance is uncomfortable & will motivate the person to reduce it and
  - (ii) Individuals experiencing dissonance will avoid situations that produce more dissonance

### ***Conditions leading to Dissonance:***

- (i) Once a minimum threshold of dissonance tolerance is passed. That is, consumers may tolerate a certain level of inconsistency in their lives until this point is reached
- (ii) The action is irrevocable. For instance, when the consumer purchases a new car, there is little likelihood that he will be able to reverse his decision and get his money back
- (iii) Unselected alternatives have desirable features. Ex. Unselected 'Pentax' DSLR camera may have desirable features as compared to 'Canon' or 'Nikon'
- (iv) There are several desirable alternatives. Ex. Today's consumers experience greater difficulty in making purchase decisions or who consider wider range of physical & online stores & brand options, are more likely to experience greater magnitudes of post-purchase dissonance
- (v) Available alternatives are quite dissimilar in their qualities. Ex. Although there are many automobile models, each one may have some unique characteristics
- (vi) The buyer is committed to his decision because it has psychological significance. A large and important house furniture & interior designing accessories purchase is likely to

have psychological significance to the buyer because of its dramatic reflection of one's decorating tastes, philosophy & lifestyle. Ego involvement will be quite high

- (vii) (vii) There is no pressure applied to the consumer to make the decision. If the consumer is subjected to outside pressure, he will do what he is forced to do without letting his own viewpoint or preference really be challenged

**Dissonance Reduction:**

- (1) Change his evaluation of the alternative
- (2) Seek new information to support his choice
- (3) Change his attitudes

**(1) Changing Product Evaluation:**

- Consumer seek to reduce dissonance is to reevaluate product alternatives
- This is accompanied by the consumers' enhancing the attributes of the products selected while decreasing the importance of the unselected products' attributes
- Another approach is to reevaluate product alternatives to view them as being more alike than was thought at the purchase stage
- One approach is Selective retention to allow the consumer to forget positive features of the unselected alternative & negative features of the chosen product while remembering negative attributes of the unchosen item along with favourable features of the chosen alternative

**(2) Seeking new information:**

- By seeking additional information in order to confirm the wisdom of their product choice as dissonant individuals would be expected to actively avoid information that would tend to increase their dissonance and seek information supporting their decision.

- Ex. If a consumer has purchased a top load model of washing machine rather than a front load model, he would tend to seek additional & new information about the benefits of top load washing machine model & avoid any information endorsing the benefits & features of front load washing machine model so as to confirm the wisdom of his product choice & support his decision

**(3) Changing Attitudes:**

- The consumer may change his attitudes to make them consonant with his behaviour
- Ex. A two-wheeler company while launching a new bike model offers a 'trial ride' & heavy discounts for first few buyers among target customers who initially have an unfavourable attitude toward the model & or company; but still few purchased it because of the offer & benefits are likely to produce. So the motivation to achieve consonance will likely take the form of attitude change as that is easier than renouncing the purchase & returning the product. By reevaluating the product and adopting a positive attitude toward it, attitudes & behaviour are now consistent & consonance is achieved

**Marketing Implications of Post-purchase Dissonance:**

(1) Confirming Expectations

(2) Inducing Attitude Change

(3) Reinforcing buyers

**(1) Confirming Expectations:**

- Confirmed Consumer's Expectations → Purchase
- Unconfirmed Consumer's Expectation  
↓  
No Initial Sale  
↓  
No Repeat Sale  
↓  
Unfavourable word-of-mouth communication

- Therefore it is important for the company & the product to confirm expectations.
- Marketers should not build up expectations unrealistically
- Marketers should first design products that will fulfill consumers' expectations insofar as possible
- Ex. Britannia Multi-grain biscuits makes realistic claims about taste of the biscuits

## **(2) Inducing Attitude Change:**

- When attitudes are inconsistent with the purchasing behaviour they are likely to change
- Promotional tools like free samples, rewards, promo coupons are frequently used by the marketer to induce behaviour changes in consumers
- It may result in consumer adopting the product or switch brands
- Ex. Free samples by Chik shampoo in newspaper or promo code or discount coupons by Cheesiano Pizza to attract the consumers of Domino's Pizza

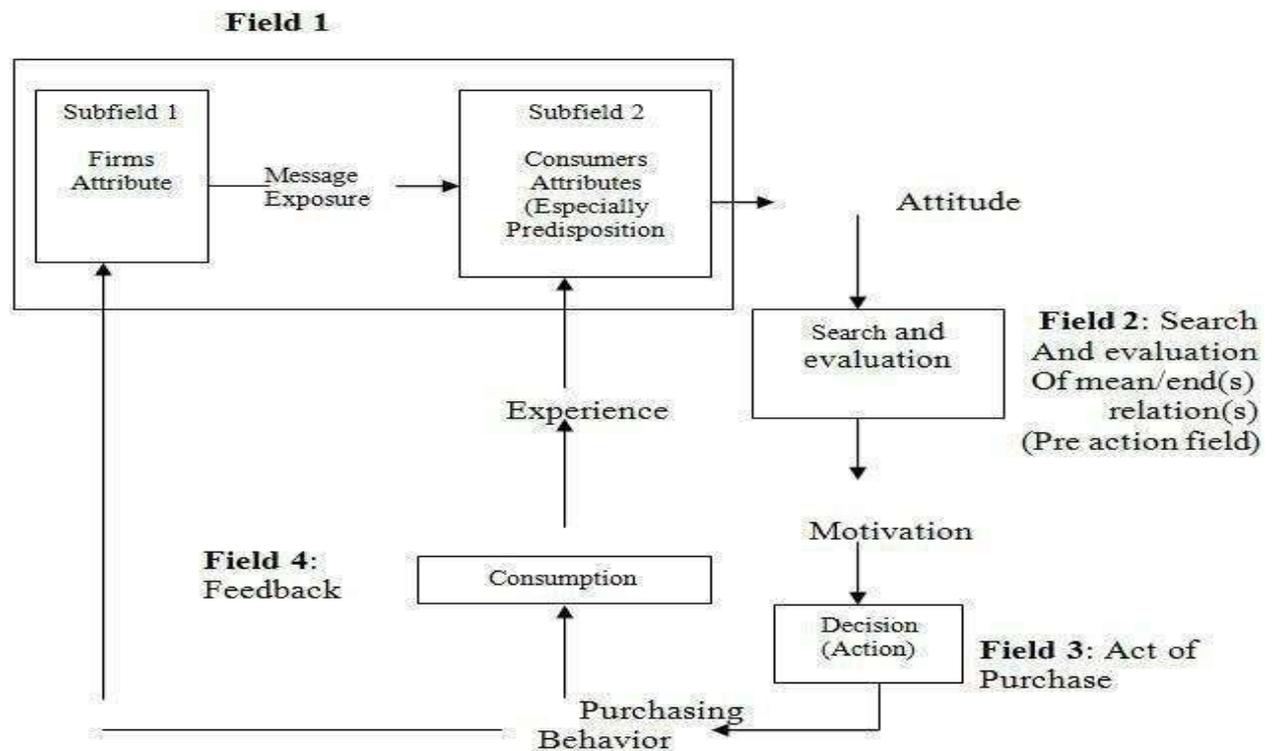
## **(3) Reinforcing Buyers:**

- Considering that the consumers may engage in post-purchase information seeking to reduce dissonance, some companies undertake promotion aimed at new buyers
- It could be especially important in the case of a company launching an innovation
- Ex. Apple, Sony while promoting their new innovations or new product launches always stresses more on the futuristic technological features so reinforcing the new as well as existing consumers

## **CONSUMER DECISION MODELS**

### **Nicosia Model:**

- Francesco Nicosia was one of the first consumer behaviour modelers to shift focus from the *act of purchase* itself to the more *complex decision process* that consumers engage in about products & services



The model contains four major components or field:

- (1) The firm's attributes and attributes of communications & the consumer's psychological attributes
- (2) The consumer's search for & evaluation of the firm's output & other available alternatives
- (3) The consumer's motivated act of purchase, and
- (4) The consumer's storage or use of the product

Nicosia assumes that the consumer is seeking to fulfill specific goals & that initially there is no history between the consumer & the firm, so no positive or negative predispositions toward the firm exist in the consumer's mind.

- (1) The firm produces some type of communication that the consumer is exposed to. Attributes of the message & the consumer determine the nature of the consumer's exposure to it & its influence on him. One consequence is that the message will influence the consumer's attitude toward the brand. This attitude is the input to 'field two'.

(II) The consumer will probably become motivated to gain information at this point, and search activity is likely to occur. Some search activity will involve searching internal memory for relevant information about the communication. External search may also occur, where the consumer visits stores, reads etc. This is likely to lead to evaluation. If the consumer processes relevant information & begins to favour the firm's brand he will be motivated toward it

(III) If nothing intervenes, this motivation is likely to lead to shopping activity & purchase of the brand

(IV) At this point a number of outcomes can occur. One outcome is that the firm receives *feedback* & another is that the consumer's *attitudes* toward the brand may change because he gains experience with the product during its *storage & use*. This product experience is the feedback to the consumer's predispositions

**Model Evaluation & Limitations:**

- The model can be said to be the pioneering efforts by Nicosia to identify the decision making process carried out by consumers. This model has viewed consumers to be involved in an active role & that they move from general product knowledge towards specific brand knowledge.
- First limitation is that the flow is not complete & doesn't mention the various factors internal to the consumer
- Secondly, the assumption about the consumer being involved in the decision process with no predispositions about the various brands or firm is restricting
- Thirdly the firm's attributes & consumer attributes mentioned in the model seem to be overlapping

**Howard Sheth Model:**

- The Howard-Sheth model attempts to throw light on the rational brand behaviour shown by buyers when faced with situations involving incomplete information and limited abilities

- The model refers to three levels of decision making

**(1) Extensive Problem solving:** The initial stages of decision making when the buyer has little information about brands & has not yet developed a well defined & structured criteria to make a selection from the various products (choice criteria)

**(2) Limited problem solving:** In a slightly more advanced stage choice criteria which is well defined but the buyer is not clear & undecided on the set of brands which will best serve him. In this situation, the consumer is uncertain on the 'best brand' which will suit him/her

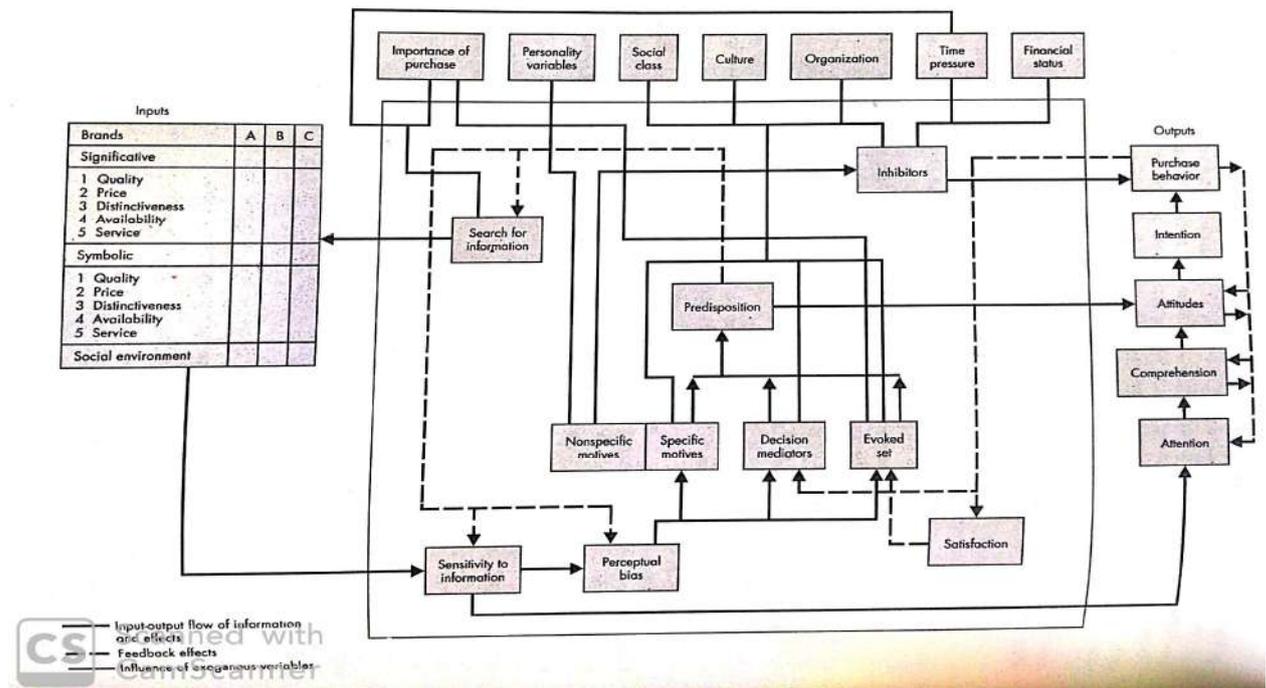
**(3) Routinized Response Behaviour:** The stage when buyers have well defined choice criteria along with strong predispositions towards one brand. In such a situation, there is hardly any confusion in the consumer's mind & he is ready to purchase a particular brand with little evaluation of alternatives

This model has borrowed the learning theory concepts to explain brand choice behaviour when learning takes place as the buyer moves from extensive problem solving to routinized problem solving behaviour

There are four components involved in the model: (a) *input variables* (b) *output variables* (c) *hypothetic constructs* & (d) *exogenous variables*

**(a) Input variables:**

- Significative stimuli are those actual elements of brands which the buyer confronts
- Symbolic stimuli are those which are used by marketers to represent their products in a symbolic form (e.g. through advertisements)
- Social stimuli are generated by the social environment such as family, friends, groups etc.



**(b) Output variables:**

- Five output variables, which are the buyer's observable responses to stimulus inputs

(i) Attention: based on the importance of the buyer's information intake

(ii) Comprehension: the store of information the buyer has about the brand

(iii) Attitude: the buyer's evaluation of the particular brand's potential to satisfy his or her motives

(iv) Intention: the brand which the buyer intends to buy

(v) Purchase behaviour: the act of actually purchasing, which reflects the buyer's predisposition to buy as modified by any of the inhibitors

**(c) Hypothetical constructs:**

- The model proposes a number of intervening variables which have been categorized into two major groups:

**(1) Perceptual constructs, deal with information processing:**

- Sensitivity to information refers to the degree to which the buyer regulates the stimulus information flow
- Perceptual bias means distorting or altering information
- Search for information involves actively seeking information on the brands or their characteristics

**(2) Learning constructs, are related to the buyer's formation of concepts:**

- Motives are general or specific goals impelling action
- Brand potential of the evoked set refer to the buyer's perception on the ability of brands in his or her evoked set (brands which are been actively considered) to satisfy his or her goals
- Decision mediators are based on the motives. The buyer will have certain mental rules for matching & ranking the purchase alternatives
- Predisposition means a preference towards brands in the evoked set which expresses an attitude towards them
- Inhibitors refers to environmental forces like price & time pressure which may inhibit or put restrain on the purchase of a preferred brand
- Satisfaction the extent or degree to which, post actual purchase will measure up to the buyer's expectation of it

**(d) Exogenous variables:**

- These are a list of number of external variables (external to the buyer) which can significantly influence buyer decision

**Evaluation & Limitations of the model:**

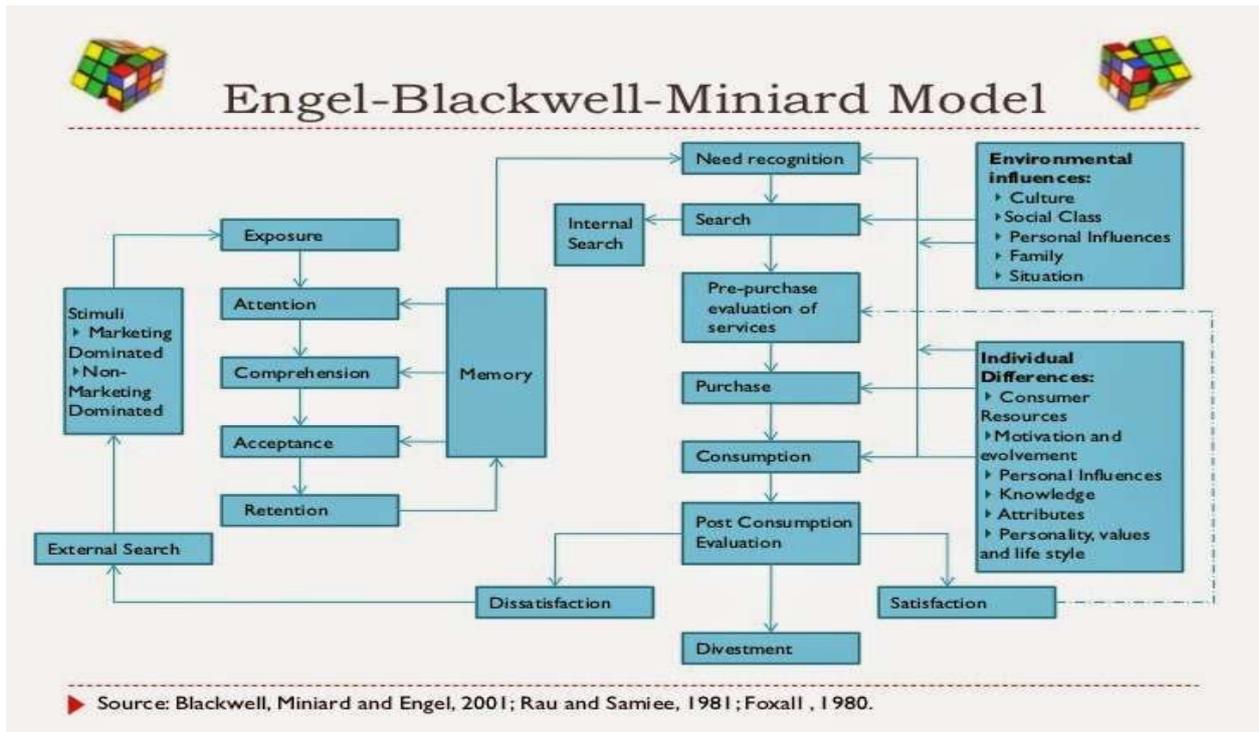
- The model makes a significant contribution to understanding consumer behaviour by identifying the variable which influence the consumers
- The model has not only identified the various variables influencing consumers but also on how they interact with each other
- It also recognizes the different types of consumer problem solving & information search behaviors
- It also acknowledges that the outcomes of consumer's decisions go beyond purchases too

The model has the following *limitations*:

- There is absence of sharp distinctions between exogenous & other variables
- Some of the variables, which are not well defined, & are difficult to measure too
- The model is quite complex & not very easy to comprehend

**Engel, Blackwell & Miniard (EBM) Model:**

- This model basically focuses on the decision process & is augmented with inputs from information processing & other influencing factors also
- This model is more coherent & flexible as compared to Howard-Sheth model
- The model have distinctive four sections:
  - (i) *Input*
  - (ii) *Information processing*
  - (iii) *Decision process and*
  - (iv) *Variables influencing decision process*



(i) **Information input:**

- Information from marketing & non-marketing sources are fed into the information processing section of the model
- The model also suggests additional information to be collected as a part of an external information search especially when enough information is not available from memory or when post-purchase dissonance occurs

(ii) **Information processing:**

- Before information can be used in the rest of the model, the consumer will first be exposed to the information processing
- That is, the consumer must get exposed to the information, attend to it, comprehend or understand it, accept it and finally retain it in memory
- Any selective attention or exposure mechanisms (which may occur in post-purchase dissonance) would operate at this stage

**(iii) Decision process:** consists of five basic stages

- Need recognition: acknowledges the fact that there exists a problem. That is, the individual is aware that there is a need to be satisfied
- Search: when enough information is available in memory to take a decision, then only internal search will be required. If information is scarce, an external search for information is undertaken
- Alternative evaluation: Thereafter an evaluation of the alternatives found during the search is undertaken. This takes into account our attitudes & beliefs also
- Purchase: is made based on the chosen alternative
- Outcomes: can be either positive or negative depending on whether the purchase satisfies the original perceived need. Dissatisfaction can lead to post-purchase dissonance

**(iv) Variables influencing Decision process:**

- This considers the individual, social & situational factors, which influence the decision processes

**Model Evaluation & Limitations:**

- This model is very flexible & more coherent than Howard-Sheth Model
  - It includes human processes like memory, information processing & considers both the positive & negative purchase outcomes
  - The first limitation of the model is somewhat vague definition of the role of the influencing variables
  - The second limitation is, it is felt that the separation of information search & alternative evaluation is somewhat artificial
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## **UNIT-V: Organizational Buying Behaviour**

The consumer marketing involves analyzing the decision making process of an individual consumer, whereas industrial marketing involves firms trying their best to understand the organizational buyer's needs, resources, policies and buying procedures

### **Difference between Organizational Buyer & Final Consumer**

#### **Market Structure & Demand:**

- Geographical Concentration
- Size of market
- Vertical or Horizontal markets
- Derived Demand
- Inelastic Demand
- Fluctuating Demand

#### **Buyer Characteristics**

- Group Involvement
- Technical Knowledge
- Rational Motivations

#### **Decision Process & Buying Patterns**

- Formality
- Complexity
- Lengthy Negotiation
- Multiple Suppliers

- Large Orders
- Infrequent Purchase
- Direct Buying
- Reciprocity
- Importance of Service

### **Market Structure & Demand:**

**Geographical Concentration:** Organizational buyers are more concentrated than in consumer markets. Ex. Auto cluster in Pune

**Market Size:** Buyers are concentrated by size in the organizational market. Ex. A tire manufacturer would have very few car manufacturing companies as buyers but the purchase quantity would be very large; whereas the same tire company would be selling their products to millions of final/individual consumers through their dealer & retailer network.

**Vertical or Horizontal Markets:** Organizational buyer markets may be either vertical or horizontal. In a vertical market the product or service would be sold to virtually all organizations in perhaps one or two industries. Ex. certain drilling bits are intended only for use in the oil exploration industry. Downturn in the target industry may hit vertical marketers extremely hard. Horizontal markets are those which are very broad, in which the product or service is sold to a wide spectrum of industries. Ex. Computer or generator services or office supplies are used by many industries and so are not radically affected by shift in any one industry

**Derived Demand:** Organizational demand is derived from consumer demand. If the housing industry slumps, these companies face reduced demand, however they may try to avoid the general decline by advertising more heavily to consumers to gain a greater share of market

**Inelastic Demand:** Total industry demand for industrial goods is relatively unaffected by changes in price in the short run, compared to the price influence on demand in consumer markets. Ex. A price rise of Rs. 250 by a tire manufacturer may lead to small rise in production cost of a car

manufacturer, so even if the car manufacturer increases the car price by around Rs. 1000, it won't have any perceptible effect on customer.

**Fluctuating Demand:** When demand for consumer goods is up industrial goods are also up, and organizational buyer may build large inventories of raw materials & component parts and may add to their plant & factories, office equipment & other items

When the economy slows down or reverses, manufacturers, wholesalers & retailers may use up existing inventories & postpone purchases of supplies, equipments & so forth

### **Buyer Characteristics**

**Group Involvement:** As the products purchased by organizational buyers are often costly & complex, a group of individuals from engineering, production, finance, purchasing or top management may be involved in the decision

**Technical Knowledge:** Professional buyers are generally quite knowledgeable about the products or services being bought or directed by other technically competent individuals or engineers to the appropriate purchase decision.

**Rational Motivations:** Individual consumer's purchase decision is influenced by many *individual & environmental* factors, whereas organizational buyer's purchase decision is rational & influenced by *quality specifications & consistency, prompt delivery assurance, price, credit terms, warranty & service*

### **Decision Process & Buying Patterns**

**Formality:** Organizational buyer behaviour has greater formality than that of final consumers and often involves proposals, quotation requests, purchase contracts etc.

**Complexity:** As organizational products & services are more technically complex with higher financial risks as compared to final consumers, a greater formality & complexity is involved in decision making for conscious consideration of the large number of factors involved in the decision

**Lengthy Negotiation:** Extensive negotiation over a longer time period because of the larger order size, importance of purchase price, involvement of large number of people in the decision, product complexity & product specifications to be agreed on.

**Multiple Suppliers:** organizational buyer never relies on a single supplier to ensure steady supply and to obtain attractive terms & effective service.

**Large Orders:** Organizational purchase is much larger than that of final consumer. Ex. Defense deals or purchasing supersonic fighter planes or an International passenger Airline purchasing Boeings where the order is also large & delivery time span is also longer

**Infrequent Purchase:** Large scale & costly items. Ex. *Construction heavy equipments & machinery* would be *infrequently purchased* & even *smaller & relatively inexpensive items like Office supplies* are also bought on a *contract basis & on quarterly or half-yearly basis*

**Direct Buying:** Direct marketing & sale from producer to the organizational buyer happens due to order size, product complexity & bulk, technical assistance prior to & after sale, geographic proximity of customers etc. leading to a direct relationship between producers & buyers

**Reciprocity:** It is common in organizational buying when two organizations agree to purchase from each other, where products are homogenous with little price sensitivity. Ex. Chemicals, Paints, steel, rubber, paper etc.; An Auto Company may buy steel from a steel company which buys trucks from the Auto Company.

**Importance of Service:** Organizational buyers, more so than final consumers, require service because it has a direct bearing on their costs, sales & profits. Ex. Software or ERP services, heavy & complex machinery & equipments etc.

## **Factors Influencing Organizational Buyer Behaviour**

### ***Environmental Factors***

- (i) Level of demand
- (ii) Economic outlook

- (iii) Value of money
- (iv) Supply conditions
- (v) Technology improvement
- (vi) Political Environment
- (vii) Competition level changes

### ***Organizational Factors***

- (i) Objectives
- (ii) Policies
- (iii) Procedures
- (iv) Organizational structure
- (v) Organizational System followed

### ***Interpersonal Factors***

- (i) Authority
- (ii) Status
- (iii) Empathy
- (iv) Persuasiveness
- (v) Personality

### ***Individual Factors***

- (i) Age
- (ii) Income



- (iii) Educational Qualification
- (iv) Job Position
- (v) Attitude towards risk

## **Environmental Factors**

**Level of Demand:** Industrial buyers are greatly influenced by the level of primary demand (*getting previous non-buyers to buy*)

**Economic Outlook:** Industrial buyers are greatly influenced by economic outlook. In case of economic uncertainty, the industrial buyers would prefer to reduce their inventories & won't invest in new plants & equipments

**Money Value:** Price Sensitivity plays a major role in industrial buying. Industrial buyers are greatly influenced by 'money value' or 'cost of money'

**Supply Conditions:** Industrial buyers are willing to buy more of the scarce material to be prepared for the contingencies. They would be ready to hold large inventories to avoid future shortage.

**Technological changes:** Industrial marketer has to monitor technological changes & upgrade the offerings accordingly

**Political stability:** Industrial marketer has to monitor political stability & regulatory developments

**Competitive Developments:** Industrial marketers has to monitor competitive developments and determine how they will affect the buyer, identify the problems and in turn work to convert these problems into opportunities.

## **Organizational Factors**

**Organizational Policies & Procedures, Organizational objectives & organizational structure:** Industrial marketer will be interested in getting to know the answer to questions like (i) How

many people involved in buying decision? (ii) Who are these people? (iii) What are their criteria for evaluation? (iv) What are the company policies & constraints on the buyer?

## **Purchasing system followed by organizations:**

Purchasing Departments: Responsible for managing the company's cost related to purchasing, inventory control & production schedule

Centralized Purchasing: HO identify the materials required by various divisions & buy them centrally

Long Term Contracts: With suppliers

Purchasing Performance Evaluation: Incentive system to reward purchasing managers especially for good purchasing performance

## **Interpersonal Factors**

Industrial Marketer should try to uncover the information about the personalities and interpersonal factors like status, authority, empathy, persuasiveness, personality of the Participants Involved in Decision Making Process.

## **Individual Factors**

Participant in Buying Decision Process are influenced by the individual factors like Age, Income, Educational Qualification, Job Position, Attitude towards risk. Every individual participant would be having unique buying style influenced by their lifestyle stage

- So the industrial marketers must know their customers & adapt their tactics to the specific environmental, organizational, interpersonal & individual factors which will influence the particular buying situation

## **Organizational Buyer Decision Process**

- (1) Problem Recognition
- (2) Need Description

- (3) Product Specification
- (4) Vendor Search
- (5) Proposal Request
- (6) Vendor Selection
- (7) Purchase Routine Selection
- (8) Post-purchase Evaluation

## **Problem Recognition**

Someone in the organization recognizes a problem or need which can be resolved or met by purchasing a good or service.

Problem or Need Can Arise due to 'INTERNAL STIMULI' or 'EXTERNAL STIMULI'

**INTERNAL STIMULI:** (i) Company decides to launch new product and requires new equipment & materials for manufacturing the new product

- (ii) There is breakdown of machinery and it requires replacement or new parts immediately
- (iii) Material purchased from vendor proves to be unsatisfactory and company is urgently looking out for another vendor
- (iv) Purchase department head notices an opportunity to obtain better prices or quality materials

**EXTERNAL STIMULI:** (i) Industrial Buyer gets Information & new ideas from a technical magazine or after visiting an exhibition or Trade Show.

(ii) A Sales representative offers better product at lower price.

## **Need Description**

Industrial buyer does Identification of the characteristic features of the desired product and also the quantity of the product required.

Industrial Buyers are motivated by budgetary considerations like profit goals, expense quotas, cost benefit analysis.

Industrial buyer defines product quality, consistent supply in the required standard of quality, Supplier's capability to deliver material.

Industrial buyer confirm supplier's ability to provide a variety of services like technical support, replacement parts, prompt delivery, product information, sales etc.

Industrial buyer work out the evaluated price on the basis of the amount of scrap resulting from the use of material like cost of processing material, work required to be done by the machine, power it consumes, damage or loss liability and other Factors which help in minimizing the cost.

Industrial buyer verifies all parameters and gives ranking to the attributes in *sequence or order of importance* like reliability, durability, price etc. of the item

### **What Should the Industrial Marketer do at the stage of need description?**

- Take care of the product characteristics desired by the buyer
- Interact with the industrial buyer
- Communicate about the availability of the same with him

### **Product Specification**

VALUE ANALYSIS is done with review of product specifications in relation to requirements followed by identification of unnecessary cost elements and suggestions are given for their elimination. There is a participation of several functional area specialists like engineering, manufacturing & production, accounting etc. in this process.

### **What Should the Industrial Marketer do at this stage?**

Use Value analysis as a tool for opening a new account with an industrial buyer

### **Vendor Search**

Identification of the most appropriate vendor is done, who meets the standard of performance & quality. Accurate assessment of vendor capabilities in the areas of technology, production, financial strength & management is done. Then the vendor is chosen from the 'finally approved list' of qualified suppliers.

### **Proposal Request**

The qualified supplier will be asked to furnish the information in the form of a catalogue or through Sales Representative. The vendor will be asked to submit a formal proposal which must include both the technical as well as marketing documents.

### **Vendor Selection**

The 'Buying Center' will review the proposals and would take the decision for the final selection of the supplier.

### **Vendor Selection**

'Buying Center' will draw up desired supplier attributes like Technical support services, Prompt delivery, Quick response to customer needs, Product quality, Supplier reputation in the market, Product price and Extension of credit etc.

VENDOR ANALYSIS is done to ascertain technical competence of various suppliers like ability to deliver in time & provide necessary services. Then the suppliers are rated against the desired attributes and finally the most attractive vendor is identified. The prices & performances are compared and then negotiation with the preferred vendor is done on price & terms before final selection & it is avoided depending on a single supplier.

### **Purchase Routine Selection**

Finally the 'Purchase Order' is placed with the 'Order Terms' like,

- ✓ Technical Specifications

- ✓ Order Quantity
- ✓ Expected time of delivery
- ✓ Terms on goods returned
- ✓ Warranties

Buyer never wants to place a new order each time the stock is required as it is a costly affair; neither he would he like to stock extra material to avoid or reduce inventory carrying cost

To avoid this problem buyer often goes for 'blanket contract' in which the vendor agrees to supply the material as & when required by the buyer on certain price terms over a specified period of time

### **Post-purchase Evaluation**

Industrial buyer reviews the vendor performance

### **What Should the Industrial Marketer Do at this stage?**

Today all industrial marketers face the problem of product parity, so they are trying to build relationship with the buyers by adding value to the transaction

Suppliers are customizing by knowing not only their own customers but also their 'customer's customer'

Ex. **Asian paints** has customized its paints portfolio by working out on **auto buyers'** color preference through research on **preferred colors of automaker's interests** & used this flexibility to add real value to the industrial buyer

### **Organizational Buying Roles:**

- (1) Users
- (2) Influencers
- (3) Buyers

(4) Deciders

(5) Gate keepers

<b>Role</b>	<b>Functions</b>
<b>Users</b>	<ul style="list-style-type: none"><li>• members of organization who use the product/service</li><li>• Very often user initiates the buying proposal &amp; defines product specifications</li></ul>
<b>Influencers</b>	<ul style="list-style-type: none"><li>• persons who are able to influence buying decision</li><li>• most often technical person involved in defining specifications &amp; also in providing information in evaluating alternatives</li></ul>
<b>Buyers</b>	<ul style="list-style-type: none"><li>• persons formally authorized to select the supplier &amp; workout the contract of agreement</li><li>• help in working out product specification &amp; play a major role in selecting vendors &amp; negotiating terms</li></ul>
<b>Deciders</b>	<ul style="list-style-type: none"><li>• persons who are formally or informally given power in the selection or approval of the final supplier</li></ul>
<b>Gate keepers</b>	<ul style="list-style-type: none"><li>• persons who control the flow of information to others</li><li>• Ex. Agent from organization will use his authority &amp; prevent salespersons from seeing users or deciders</li></ul>