



# Consumer Behavior

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## About the Tutorial

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Consumer behavior is about the approach of how people buy and the use merchandise and services. Understanding consumer behavior will assist business entities to be more practical at selling, designing, development of products or services, and every other different initiative that impacts their customers.

In this tutorial, it has been our endeavor to cover the multidimensional aspects of Consumer Behavior in an easy-to-understand manner.

## Audience

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This tutorial will help management students as well as industry professionals who work in a product development environment, or in packaging, or for that matter, any part of a company that has an interface with the customers.

## Prerequisites

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To understand this tutorial, it is advisable to have a foundation level knowledge of basic business and management studies. However, general students and entrepreneurs who wish to get an understanding about consumer behavior may find it quite useful.

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# Unit 1 – Introduction to Consumer Behavior



# 1. CONSUMERISM

Consumerism is the organized form of efforts from different individuals, groups, governments and various related organizations which helps to protect the consumer from unfair practices and to safeguard their rights.

The growth of consumerism has led to many organizations improving their services to the customer.



# Consumerism



## What is Consumerism?

Consumer is regarded as the king in modern marketing. In a market economy, the concept of consumer is given the highest priority, and every effort is made to encourage consumer satisfaction.

However, there might be instances where consumers are generally ignored and sometimes they are being exploited as well. Therefore, consumers come together for protecting their individual interests. It is a peaceful and democratic movement for self-protection against their exploitation. Consumer movement is also referred as **consumerism**.



## Features of Consumerism

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Highlighted here are some of the notable features of consumerism:

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

Advertising and technology are the two driving forces of consumerism:

- The first driving force of consumerism is advertising. Here, it is connected with the ideas and thoughts through which the product is made and the consumer buys the product. Through advertising, we get the necessary information about the product we have to buy.



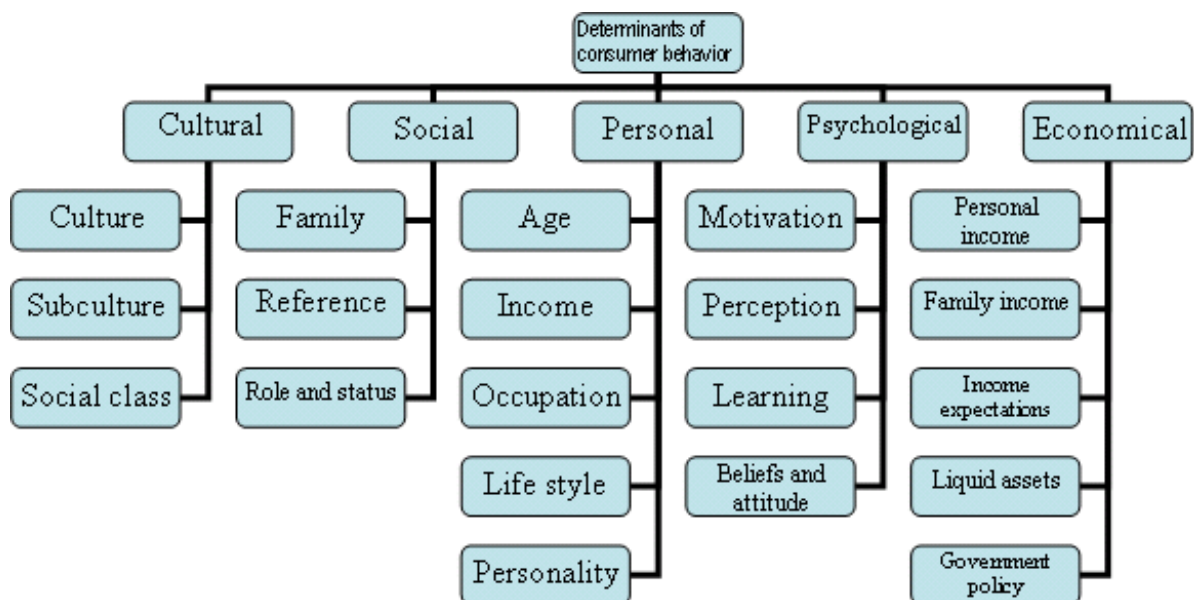
- Technology is upgrading very fast. It is necessary to check the environment on a daily basis as the environment is dynamic in nature. Product should be manufactured using new technology to satisfy the consumers. Old and outdated technology won't help product manufacturers to sustain their business in the long run.

## 2. SIGNIFICANCE OF CONSUMER BEHAVIOR

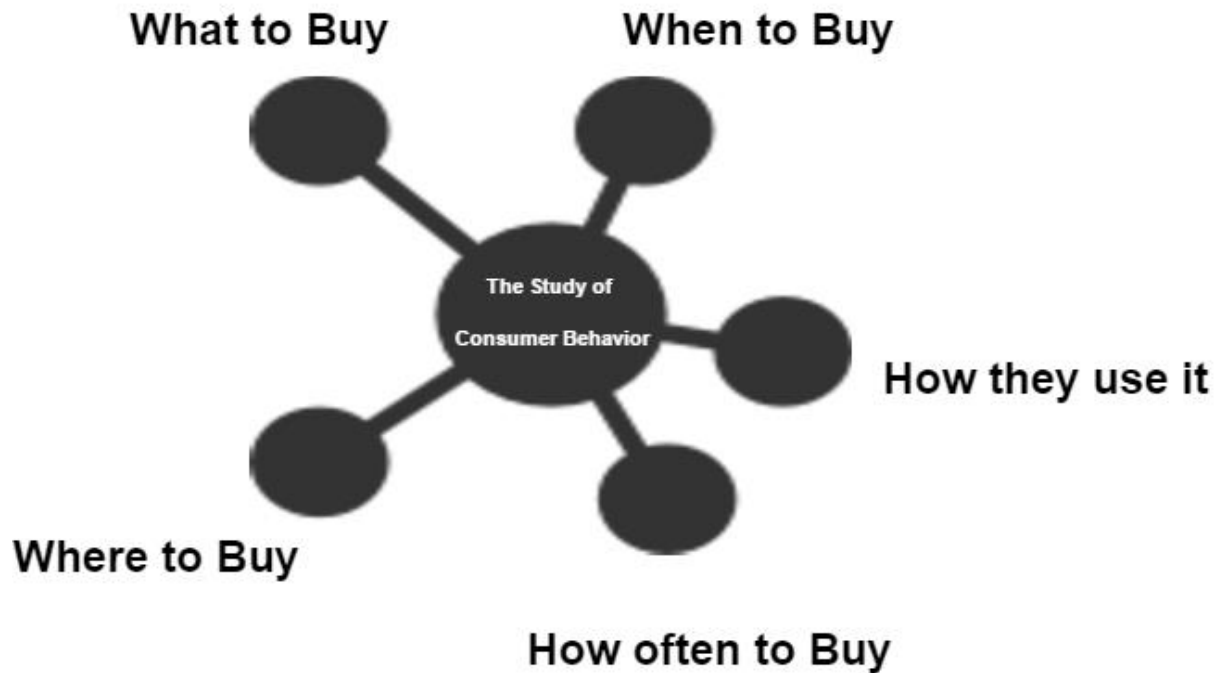
Consumer behavior covers a broad variety of consumers based on diversity in age, sex, culture, taste, preference, educational level, income level, etc. Consumer behavior can be defined as “the decision process and physical activity engaged in evaluating, acquiring, using or disposing of goods and services.”

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

The following illustration shows the determinants of consumer behavior.



The study of Consumer Behavior helps in understanding how individuals make decisions to spend their available resources like time, money, and effort while purchasing goods and services. It is a subject that explains the basic questions that a normal consumer faces: what to buy, why to buy, when to buy, where to buy from, how often to buy, and how they use it.



Consumer behavior is a complex and multidimensional process that reflects the totality of consumer decisions with respect to acquisition, consumption, and disposal of goods and services.

### Dimensions of Consumer Behavior

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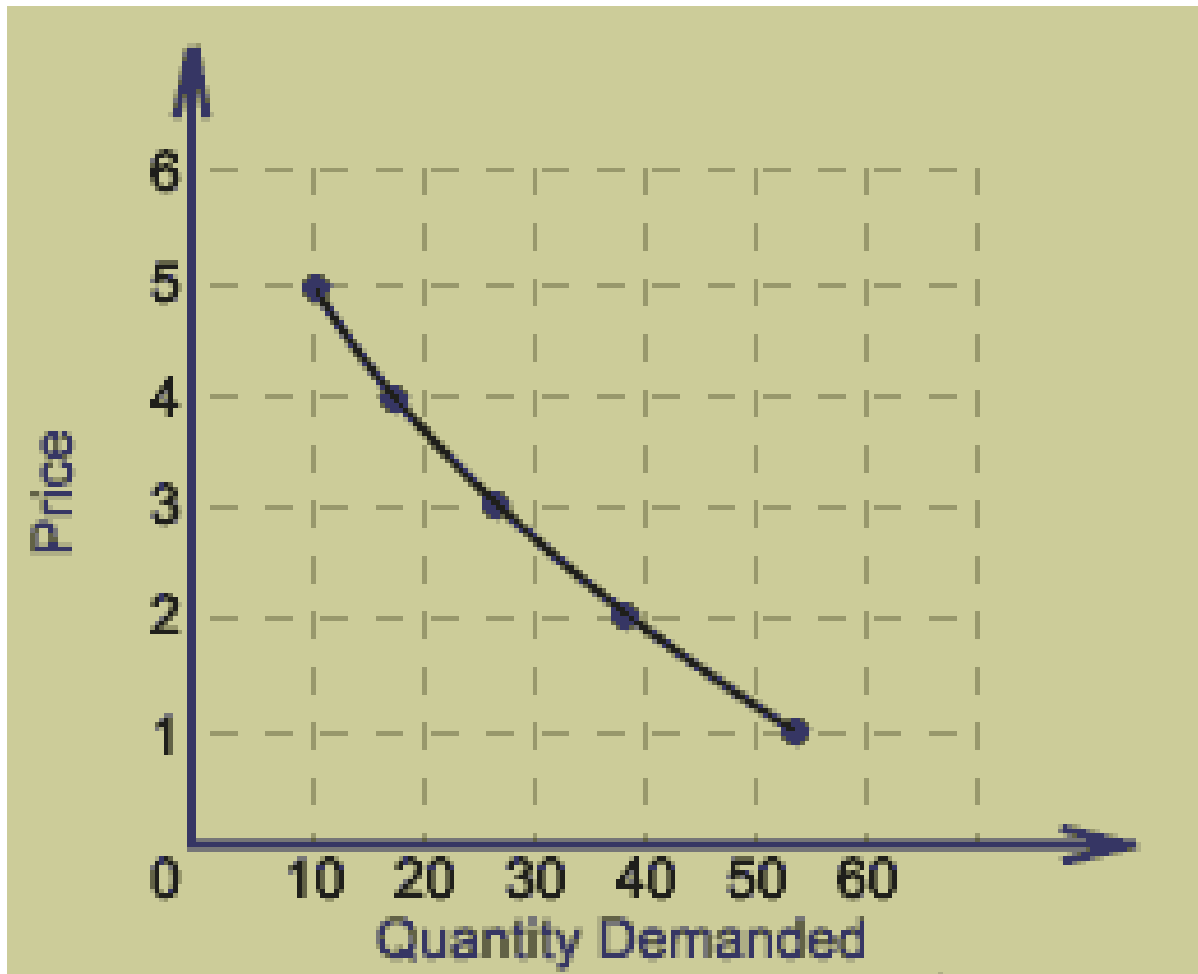
Consumer behavior is multidimensional in nature and it is influenced by the following subjects:

- **Psychology** is a discipline that deals with the study of mind and behavior. It helps in understanding individuals and groups by establishing general principles and researching specific cases. Psychology plays a vital role in understanding how consumers behave while making a purchase.
- **Sociology** is the study of groups. When individuals form groups, their actions are sometimes relatively different from the actions of those individuals when they are operating individually.
- **Social Psychology** is a combination of sociology and psychology. It explains how an individual operates in a group. Group dynamics play an important role in purchasing decisions. Opinions of peers, reference groups, their families and opinion leaders influence individuals in their behavior.
- **Cultural Anthropology** is the study of human beings in society. It explores the development of central beliefs, values and customs that individuals inherit from their parents, which influence their purchasing patterns.

### 3. DEMAND ANALYSIS

#### The Demand Curve

The quantity of a particular good or service that a consumer or group of consumers want to purchase at a given price is termed as **demand**. It is the consumer's ability or willingness to buy a specific product.



As shown in the figure, the demand curve is downward sloping which means the consumers will buy more when the price decreases and the same consumers will buy less when the price increases.

It is not only price, the demand for a good or a service is also influenced by other factors such as the price of substitute goods and complementary goods.

## Determinants of Demand

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The key determinants that affect the demand function are as follows:

- **Income:** A rise in consumer's income will tend to increase the demand curve (shift the demand curve to the right). A fall will tend to decrease the demand for normal goods.
- **Consumer Preferences:** Favorable change leads to an increase in demand, unfavorable change leads to a decrease in demand.
- **Number of Buyers:** More the number of buyers, more will be the demand. Fewer buyers lead to a decrease in demand.
- **Substitute Goods** (goods that can be used to replace each other): The price of substitutes and demand for the other good are directly related. Example: If the price of coffee rises, the demand for tea will also rise.
- **Complementary Goods** (goods that can be used together): The prices of complementary goods and their demand are inversely related. Example: if the price of printer increases, the demand for computer sheets will decrease.

## Demand Function

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The demand function relates to the price and quantity. It shows how many units of a good will be purchased at different prices. At higher prices, less quantity will be purchased.

The graphical representation of the demand function has a negative (-ve) slope. The market demand function is calculated by totaling up all of the individual demand functions.

### Demand Function of an Individual

The individual demand function has a functional relationship between individual demand and the factors affecting individual demand.

It is expressed as:

$$D_x = f (P_x, P_r, Y, T, F)$$

Where,

$D_x$  = Commodity Demand  $x$ ;

$P_x$  = Commodity  $x$ 's price;

$P_r$  = Related Goods' Price;

$F$  = Expectation of Change in Price in future.

$Y$  = Consumer's Income;

$T$  = Tastes and Preferences.



## Demand Function of Market

The market demand function has a functional relationship between market demand and the factors affecting market demand.

The market demand function can be expressed as:

$$D_x = f(P_x, P_r, Y, T, F, P_D, S, D)$$

Where,

$D_x$  = Market demand of commodity x;

$P_x$  = Price of given commodity x;

$P_r$  = Related Goods' Price;

$Y$  = Consumer's Income;

$T$  = Tastes and Preferences;

$F$  = Expectation of Change in Price in future;

$P_D$  = Size and Composition and Size of population;

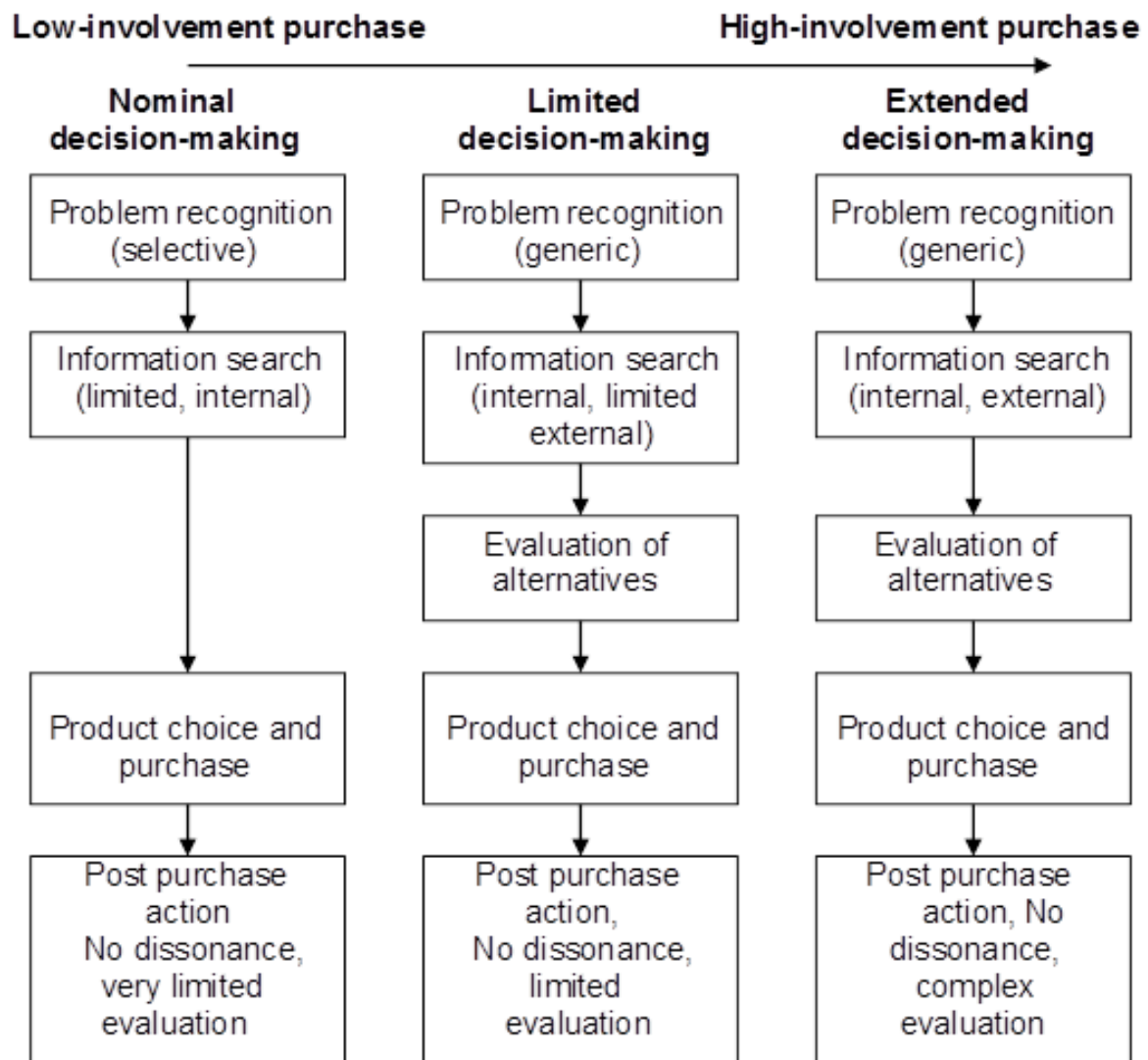
$S$  = Season and Weather;

$D$  = Income Distribution.

## 4. BUYING DECISION PROCESS

### Consumer Buying Behavior

Consumer buying behavior is the study of an individual or a household that purchases products for personal consumption. The process of buying behavior is shown in the following figure:



## Stages of Purchasing Process

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A consumer undergoes the following stages before making a purchase decision:

### Stage 1: Needs / Requirements

It is the first stage of the buying process where the consumer recognizes a problem or a requirement that needs to be fulfilled. The requirements can be generated either by internal stimuli or external stimuli. In this stage, the marketer should study and understand the consumers to find out what kinds of needs arise, what brought them about, and how they led the consumer towards a particular product.

### Stage 2: Information Search

In this stage, the consumer seeks more information. The consumer may have keen attention or may go into active information search. The consumer can obtain information from any of the several sources. This include personal sources (family, friends, neighbors, and acquaintances), industrial sources (advertising, sales people, dealers, packaging), public sources (mass media, consumer-rating and organization), and experiential sources (handling, examining, using the product). The relative influence of these information sources varies with the product and the buyer.

### Stage 3: Evaluation of Alternatives

In this stage, the consumer uses information to evaluate alternative brands from different alternatives. How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situation. In some cases, consumers use logical thinking, whereas in other cases, consumers do little or no evaluating; instead they buy on aspiration and rely on intuition. Sometimes consumers make buying decisions on their own; sometimes they depend on friends, relatives, consumer guides, or sales persons.

### Stage 4: Purchase Decision

In this stage, the consumer actually buys the product. Generally, a consumer will buy the most favorite brand, but there can be two factors, i.e., purchase intentions and purchase decision. The first factor is the attitude of others and the second is unforeseen situational factors. The consumer may form a purchase intention based on factors such as usual income, usual price, and usual product benefits.

### Stage 5: Post-Purchase Behavior

In this stage, the consumers take further steps after purchase based on their satisfaction and dissatisfaction. The satisfaction and dissatisfaction depend on the relationship between consumer's expectations and the product's performance. If a product is short of expectations, the consumer is **disappointed**. On the other hand, if it meets their expectations, the consumer is **satisfied**. And if it exceeds their expectations, the consumer is **delighted**.

The larger the gap between the consumers' expectations and the product's performance, the greater will be the consumer's dissatisfaction. This suggests that the seller should make product claims that faithfully represent the product's performance so that the buyers are satisfied.

Consumer satisfaction is important because the company's sales come from two basic groups, i.e., **new customers** and **retained customers**. It usually costs more to attract new customers than to retain existing customers and the best way to retain them is to get them satisfied with the product.

## 5. DEVELOPING MARKETING CONCEPTS

Marketing concepts focus on finding right products for the customers instead of finding right customers for the products. It is based on four pillars – target market, customer requirements, incorporated market, and profitability. Marketing concepts start with a well-defined market, focus on customer needs, co-ordinate all the inter-related activities that will affect customers, and increase the profits by bringing more satisfied customers.

Market concept focuses on achieving organizational goal by creating a company that is more effective and efficient than competitors by creating, delivering, and communicating customer value to its selected target markets.

### Production Concept

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According to production concept, consumers prefer to buy those products that are widely available and inexpensive. Executives of production-oriented businesses usually concentrate on achieving high production efficiency, low cost, and mass distribution for effective results. Consumers are interested more in product availability and low prices. This type of business orientation is effective in developing countries.

**Example:** Local mobile companies in developing countries provide cell phones at much cheaper cost than the branded companies and due to this, people in these countries prefer to purchase cell phones from them.

### Product Concept

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According to product concept of business, consumers favor those products that provide them better quality, performance and innovative features. Managers in product-oriented organizations mainly focus on making superior products and improving them time to time. In product concept, it is considered that the consumers are aware of the quality of the products and they have an ability to evaluate good quality and performance.

### Selling Concept

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According to the selling concept, consumers, if left on their own, will usually not buy enough. An organization must therefore integrate an aggressive selling and promotional effort to get a competitive edge in the market. According to this concept, the company constitutes effective selling and promotion tools in order to encourage more buying.

The purpose of marketing is to sell more things to more people, more regularly, in order to make more profit.



## Customer Concept

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According to the customer concept, companies focus on individual customers. They provide individual offers, services, and establish direct channels of communication with them. These companies collect information on each customer's past transactions, demographics, media and supply preferences. They believe in profitable growth by capturing a large share of each customer's expenditure by building high customer loyalty and customer lifetime value.

## 6. MARKETING STRATEGIES

Marketing strategies and tactics are normally based on **explicit** and **implicit** beliefs about consumer behavior. Decisions based on explicit assumptions and sound theory and research are more likely to be successful than the decisions based solely on implicit intuition.

Knowledge of consumer behavior can be an important competitive advantage while formulating marketing strategies. It can greatly reduce the odds of bad decisions and market failures. The principles of consumer behavior are useful in many areas of marketing, some of which are listed below:

### Analyzing Market Opportunity

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Consumer behavior helps in identifying the unfulfilled needs and wants of consumers. This requires scanning the trends and conditions operating in the market area, customer's lifestyles, income levels and growing influences.

### Selecting Target Market

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The scanning and evaluating of market opportunities helps in identifying different consumer segments with different and exceptional wants and needs. Identifying these groups, learning how to make buying decisions enables the marketer to design products or services as per the requirements.

**Example:** Consumer studies show that many existing and potential shampoo users did not want to buy shampoo packs priced at Rs 60 or more. They would rather prefer a low price packet/sachet containing sufficient quantity for one or two washes. This resulted in companies introducing shampoo sachets at a minimal price which has provided unbelievable returns and the trick paid off wonderfully well.

### Marketing-Mix Decisions

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Once the unfulfilled needs and wants are identified, the marketer has to determine the precise mix of four P's, i.e., Product, Price, Place, and Promotion.

#### Product

A marketer needs to design products or services that would satisfy the unsatisfied needs or wants of consumers. Decisions taken for the product are related to size, shape, and features. The marketer also has to decide about packaging, important aspects of service, warranties, conditions, and accessories.

**Example:** Nestle first introduced Maggi noodles in masala and capsicum flavors. Subsequently, keeping consumer preferences in other regions in mind, the company introduced Garlic, Sambar, Atta Maggi, Soupy noodles, and other flavours.

## Price

The second important component of marketing mix is price. Marketers must decide what price to be charged for a product or service, to stay competitive in a tough market. These decisions influence the flow of returns to the company.

## Place

The next decision is related to the distribution channel, i.e., where and how to offer the products and services at the final stage. The following decisions are taken regarding the distribution mix:

- Are the products to be sold through all the retail outlets or only through the selected ones?
- Should the marketer use only the existing outlets that sell the competing brands? Or, should they indulge in new elite outlets selling only the marketer's brands?
- Is the location of the retail outlets important from the customers' point of view?
- Should the company think of direct marketing and selling?

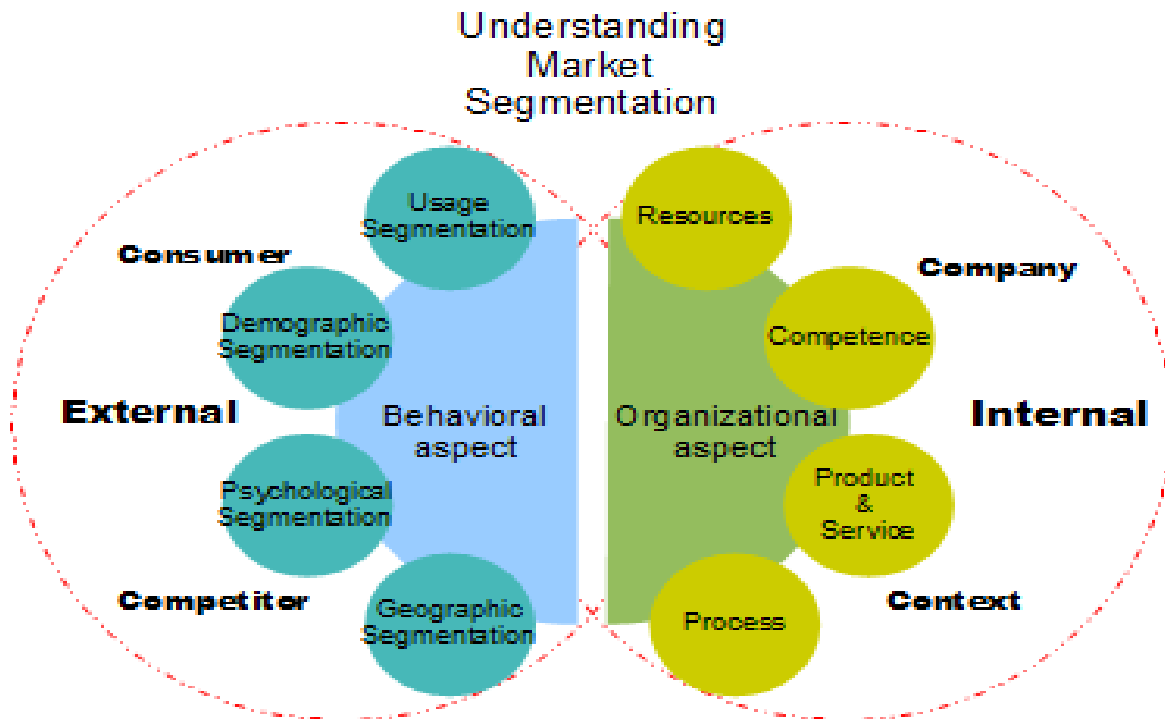
## Promotion

Promotion deals with building a relationship with the consumers through the channels of marketing communication. Some of the popular promotion techniques include advertising, personal selling, sales promotion, publicity, and direct marketing and selling.

The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion techniques? The company has to know its target consumers, their location, their taste and preferences, which media do they have access to, lifestyles, etc.

# 7. MARKET SEGMENTATION

Market segmentation depends on two levels – the **strategic level** and the **tactical level**. At a strategic level, it has a direct link with the decisions on positioning. At a tactical level, it relates with the decision of which consumer groups are to be targeted. We will discuss here the parameters based on which a market can be segmented.



## Geographic Segmentation

Prospective customers are in local, state, regional or national marketplace segment. If a firm is selling a product such as a farm equipment, the geographic location will remain a major factor in segmenting the target markets because their customers are located in specific rural areas.

In case of retail stores, geographic location of the store is one of the most important considerations. Here, urban areas are preferred.

Segmentation of customers based on geographic factors are:

- **Region:** Segmentation by continent / country / state / district / city.
- **Size:** Segmentation on the basis of size of an urban area as per the population size.
- **Population Density:** Segmentation on the basis of population density such as urban / sub-urban / rural etc.

## **Demographic Segmentation**

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Market segmentation can be done based on demographic factors such as Age. For example, Rico watches have segmented their product portfolio according to different age groups of people.

## **Psychographic Segmentation**

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Psychographic Segmentation focuses on group customers according to their life-style and purchasing psychology. Many businesses offer products based on the attitudes, beliefs and emotions, ideas, and perceptions of the target market. Psychographic segmentation includes variables such as Activities, Interests, Opinions, Attitudes, and Values.

## **Behavioralistic Segmentation**

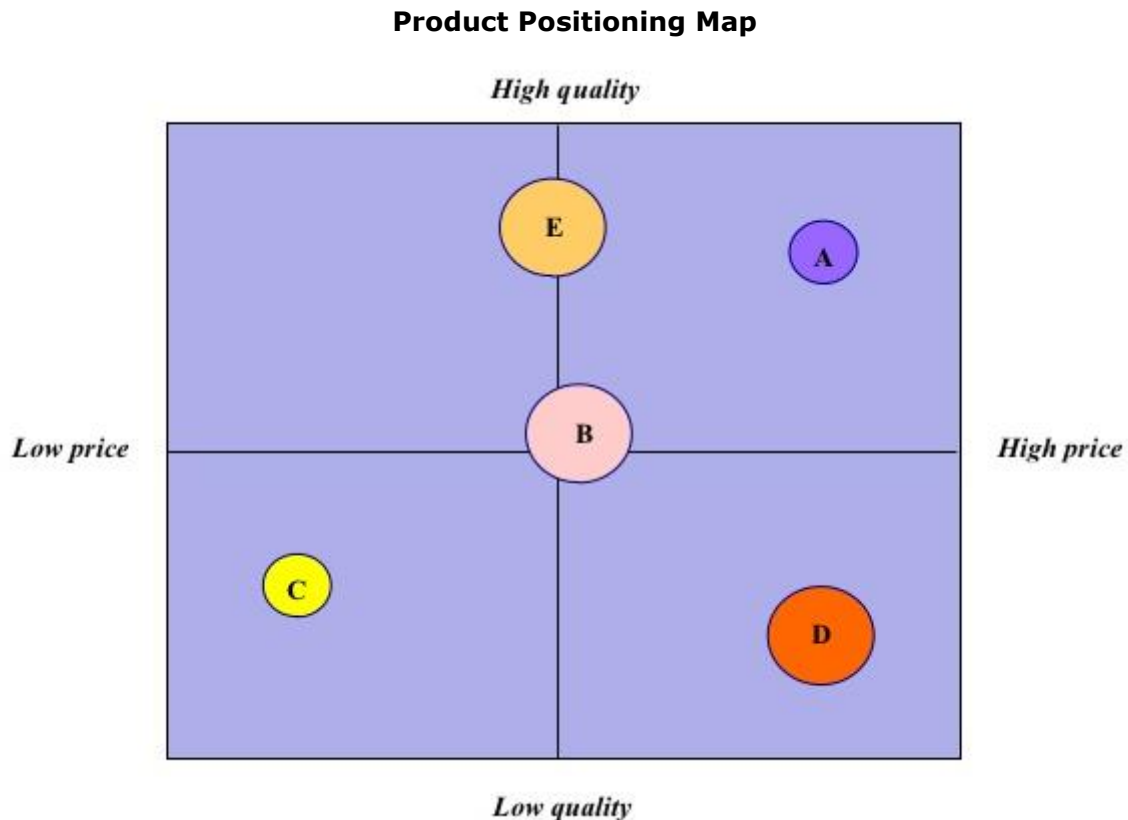
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Markets can be segmented on the basis of buyer behavior. It is because the buying behavior of consumers differ based on the geographic, demographic and psychographic factors. Marketers often find practical benefits in using buying behavior as a separate segmentation basis in addition to factors like geographic, demographics, and psychographics.



## 8. MARKET POSITIONING

Market Positioning means selecting a marketing mix that is most suitable for a target market segment. The following illustration shows a product positioning map.



The position of a product is the sum of those attributes normally recognized by the consumers – its position, quality, quantity, the type of people, strengths, weaknesses, threats, etc. "A product's position is how potential consumers see the product", and it is expressed proportional to the position of the competitors.

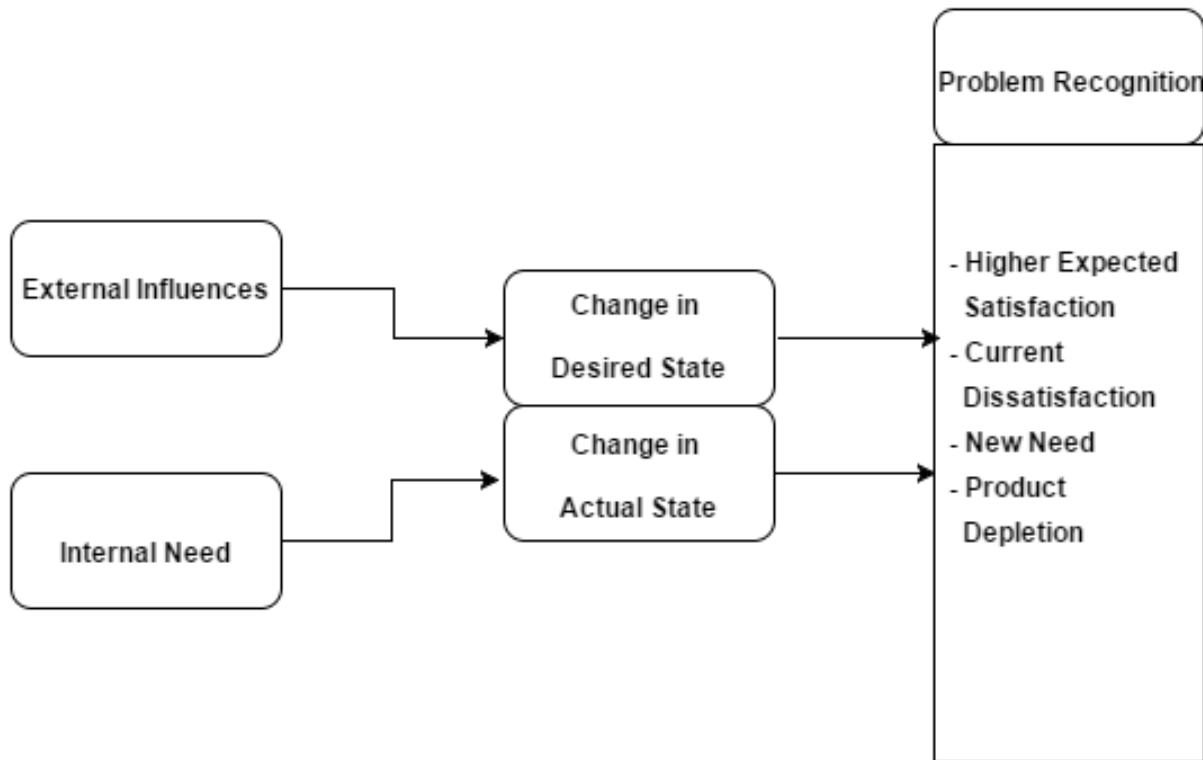
Positioning is a podium for the brand. It facilitates the brand to get through the mind of the target consumer groups. The position of a brand has to be diligently guarded, maintained, and managed.

**Example:** Watches like "Guess" are positioned as luxury brands, thus they are quite expensive and treated as a status symbol. If Guess reduces its prices, it loses its real image and potential customers.

## Unit 2 – Role of Research

## 9. PROBLEM RECOGNITION

Business managers need to be skilled, have expertise in problem recognition and solution techniques to be the greatest help in guiding their company towards greater success.



In problem recognition, the consumer recognizes a problem or need or want. The buyer recognizes a difference between his or her actual state and some desired state.

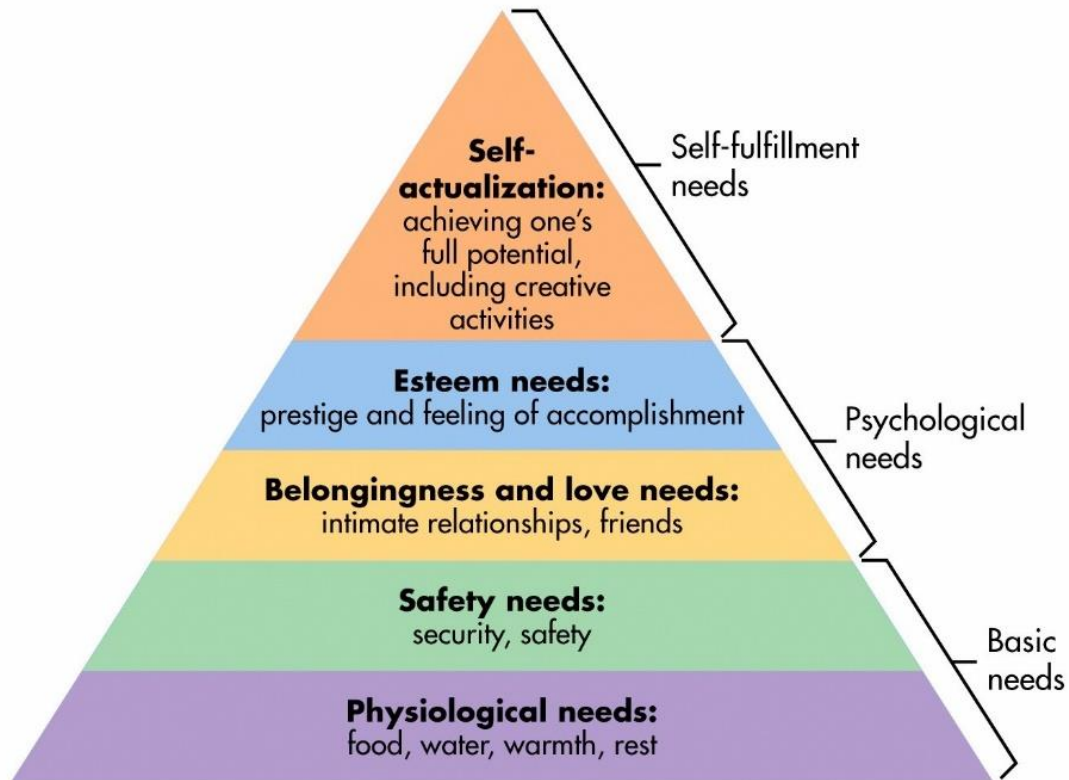
The need can be generated by internal stimuli when one of the person's normal needs - hunger, thirst, sex, etc. rises to a high level sufficient to become a drive. A need can also be generated by external stimuli.

At this stage, the marketer should evaluate the consumer's perspective by considering the basic questions like:

- What kinds of needs or problems or efforts arise.
- What brought them about and
- How it led the consumer towards the particular product.

### Maslow's Hierarchy of Needs

American Psychologist Abraham Harold Maslow believes that, needs are arranged in a hierarchy form. Only after a human has achieved the needs at a certain stage, does he move to the next one. The pyramid diagram showing the Maslow needs hierarchy.



### Stages of Maslow's Hierarchy of Needs

According to Maslow's theory, when a human being goes up the levels of the hierarchy has fulfilled the needs and wants in the hierarchy, one may ultimately achieve self-actualization. Maslow in the end concluded that, self-actualization was not a regular outcome of satisfying the other human needs. Human needs as identified by Maslow are as follow:

- At the bottom of the hierarchy level are the "Basic needs or Physiological needs" of a human being: food, water, shelter, sleep, sex etc.
- The next level is "Safety Needs: Security, Order, safety and Stability". These two steps are important for the physical survival of the person.
- The third level of need is "Love and Belonging", which are psychological needs; when individuals have taken care of themselves physically, they are ready to share themselves with others, such as with family, friends and relatives.
- The fourth level is achieved when individuals feel comfortable with what they have achieved. This is the "Esteem" level, the need to be capable and recognized, such as position, status and level of success.
- The fifth level is the "Cognitive" or the "self-actualization" level, where individuals intellectually stimulate themselves and explore for their growth.

Finally, there is the "Aesthetic" level, which is the need for harmony, unity, order and beauty.

# 10. CONSUMER RESEARCH PARADIGM

Research signifies the practice of gathering new or existing information to enhance one's knowledge. Consumer Research is a form of applied sociology that is concerned with understanding the behaviors of consumers in a market based economy.

Usually what we notice is that, consumers generally hesitate to reveal the basic reason behind purchasing a particular product. Here, researchers use two different types of research methodologies to study consumer behaviors:

- Quantitative Research
- Qualitative Research

According to the traditional business paradigms, researchers thought that consumers are logical and they act rationally to take calculative decisions and maximize their benefits. They thought consumers purchase the most beneficial product at the lowest possible cost.

Researchers have recently realized that, consumers are not always rational and are not always aware of the decisions they make.

In 1939, a Viennese Psychologist Ernest Dichter used Freudian Psychoanalytic techniques to uncover the hidden motives of consumers. It is a dynamic theory of personality of human beings that arrives from unconscious drives and wishes.

By late 1950's most consumer researchers adopted Ernest Dichter's technique, which was called "Motivational Research" essentially a qualitative approach.

## Quantitative Research

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Quantitative research is the application of quantitative research techniques while carrying out the research process. This method is used to predict the consumer behavior and is descriptive in nature. It consists of experiments, survey techniques, and observation. It typically involves the construction of questionnaires and scales. Respondents are asked to complete the survey. Marketers use the obtained information to understand the needs of individuals in the marketplace, and to create strategies and marketing plans.

To analyze data and draw conclusions, both descriptive and inferential statistical techniques can be used. It may include hypotheses, or random sampling techniques to enable inference from the sample to the population.





## Qualitative Research

Qualitative research involves an in-depth understanding of consumer behavior and the reasons that govern that behavior. Qualitative research largely relies on the reasons behind various aspects of behavior.

The methods include techniques such as in-depth interviews, focus groups, metaphor analysis, and projective techniques. In this method, the sample sizes are small, so it can't be generalized to the larger population. This method investigates the why and how of decision-making, as compared to what, where and when of quantitative research.

As quantitative research depends exclusively on the analysis of numerical or quantifiable data, qualitative research comes in many mediums, including text, sound, still images, and moving images.

In this method, responses are verbal and not in numbers and the respondent is asked to rate the answer in his own words. This approach allows the researcher to discover the consumption motives, attitudes, opinions, perceptions, preferences, experiences, actions, etc. of the consumers.

By combining both the research methodologies, the marketers can design more effective marketing strategies to discover and predict consumer reactions based on historical data of promotional campaigns.

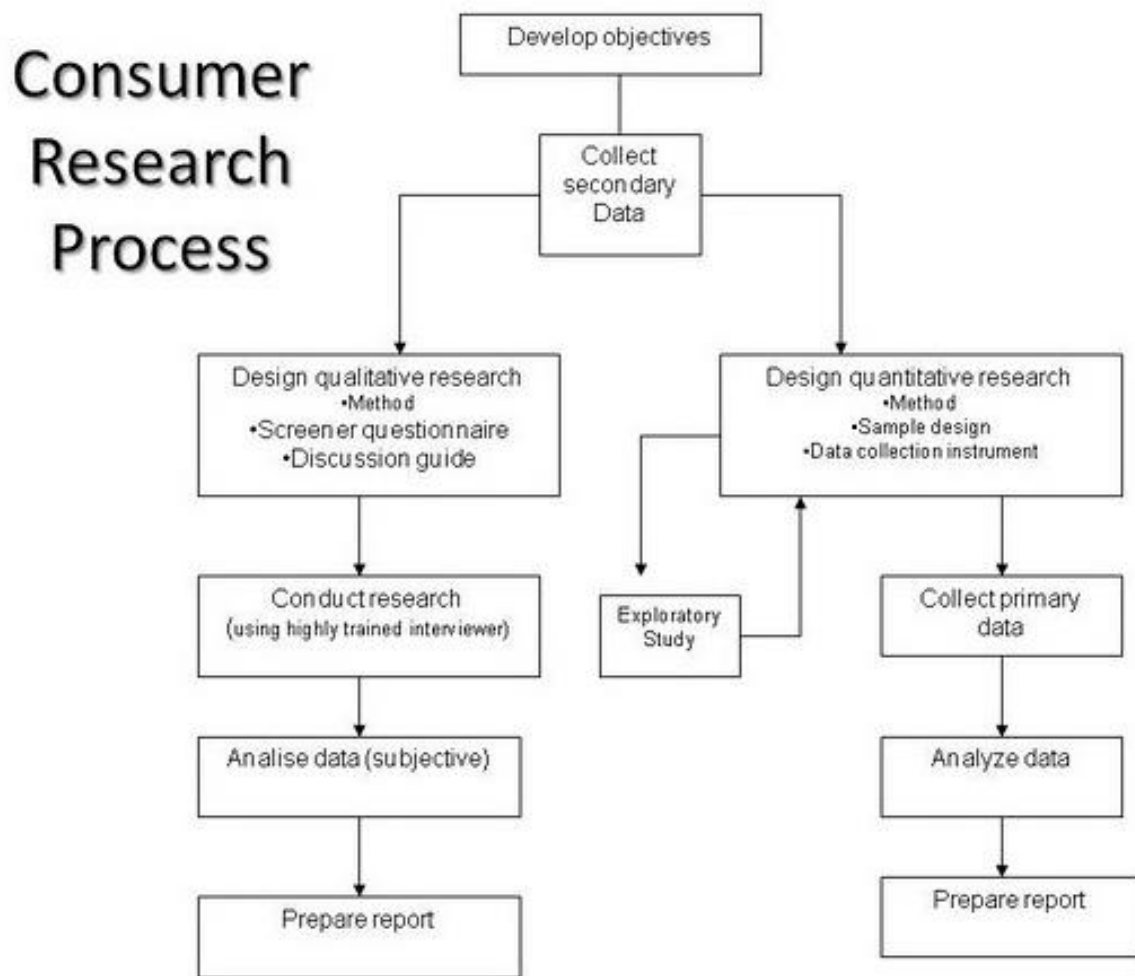
# 11. CONSUMER RESEARCH PROCESS

Consumer research plays a very important aspect, especially when a company decides to launch a new product into the market. Companies conduct market research to better understand the consumers, their needs and their satisfaction level.

After conducting various surveys and focus groups, companies analyze the consumer data and then make recommendations based on the results.



The following illustration explains the consumer research process:



## Developing Research Objectives

The first step in the consumer research process is developing the research objectives which involves defining the purposes and objectives to ensure an appropriate design. A statement of objective helps to define the type and level of information needed.

## Collect Secondary Data

There are two distinct sources of secondary data – internal and external. Always seek internal sources first. Most go straight to Google without considering the fact that data might exist within the organization itself. This can sometimes be in the 'heads' of the personnel.

## External Sources

External sources are numerous. Consumer Generated Media (CGM), especially, has grown in importance as a data source. The key is to avoid spending too much time following 'blind alleys'. This is where the time and cost can escalate sharply.

- Directories
- Country information
- Published marketing research reports
- News sources
- CGM (Newsgroups, blogs, groups)
- Internet – single search engines, and multiple search engines

## Primary Research

Primary research is basically the original research. Here you yourself collect the information through various tools available. In primary research, you don't tend to depend on any third parties. You may conduct interviews or surveys, observe, or even directly go to the object for collecting information.

## Quantitative Research

A quantitative research study is comprised of research design, the data collection methods, instruments to be used, and the sample design.

Following are the three basic designs or approaches used for quantitative design:

- **Observational Research:** In this method of observational research, the people or customers are observed effectively when they purchase a particular product. It helps the researcher to gain in-depth understanding of the relationship between the people and products by observing them while purchasing and using the product.
- **Experimentation:** Experimentation is a type of research where only certain variables are manipulated while others are kept constant in order to encourage the change in the constant variable
- **Surveys:** A survey is a method of research in which an interviewer interacts with respondents to obtain facts, opinions and attitudes.

Following are the various survey methods which are generally used:

- Personal interview survey
- Telephone survey
- Mail surveys
- Online surveys
- Quantitative research data collection instruments

## Data Collection Instruments for Quantitative Research Data

**Questionnaire and Attitude Scale:** For quantitative research the primary data collection instrument is a questionnaire and the most frequent one is attitude scale which is used to capture evaluative data.

Following are the important methods of data collection in the qualitative design techniques which are used in the initial stages of research.

- **In-Depth Interview:** Depth interview is conducted in length and in a non-structured manner where the interviewer is highly trained and minimizes his own participation in the discussion once the general subject is discussed.
- **Focus Group:** Focus group involves many respondents who interact with the analyst in a group discussion and focuses on a particular product.

## Projective Techniques

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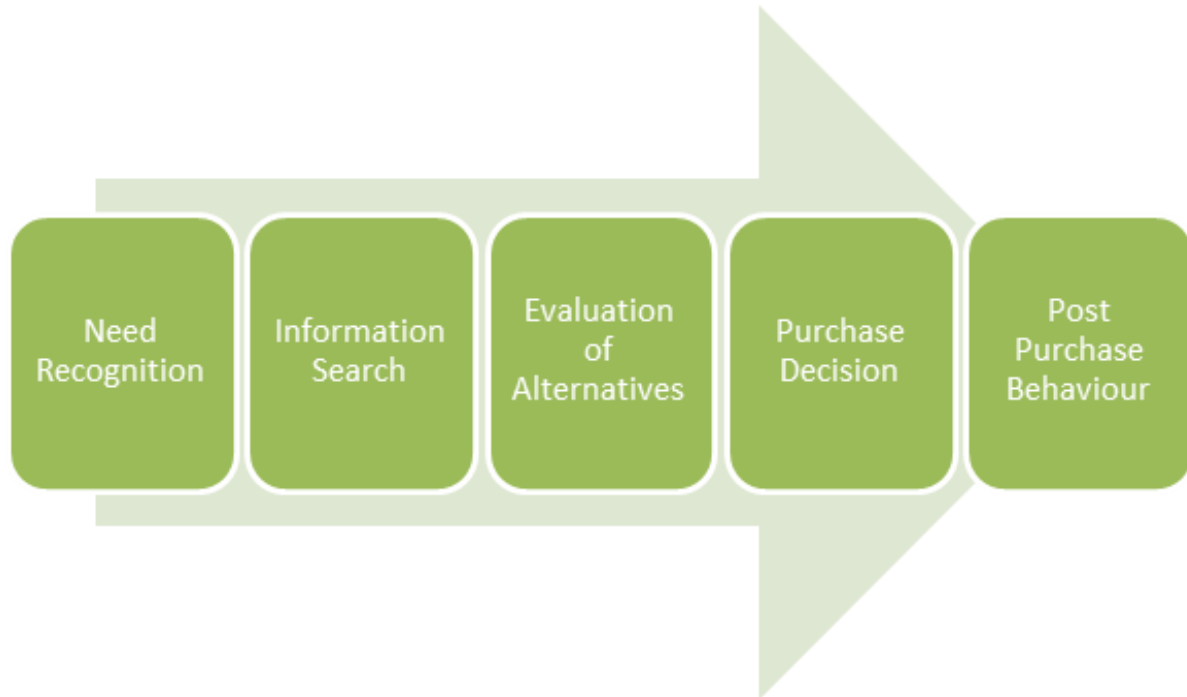
Projective techniques are best used to understand the motives of people when they are unconsciously rational.

The analyst generally analyzes and reports his findings based on the responses received in qualitative research whereas in quantitative analysis, the researchers oversees the complete research, analyses the open ended questions, classifies the responses and systematically tabulate them.



## 12. CONSUMER DECISION MAKING

An understanding of consumer behavior is necessary for the long-term success and survival of a firm. Consumer decision making is viewed as the edifice of the marketing concept, an important orientation in marketing management.



The marketer should be able to determine needs and wants of the target segment and provide product and service offerings more effectively and efficiently than competitors.

### **Types of Consumer Decision Making**

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The following are the types of decision making methods which can be used to analyze consumer behavior:

#### **Extensive Problem Solving**

In extensive decision making, the consumers have no established or set criteria for evaluating a product in a particular category. Here the consumers have not narrowed the number of brands from which they would like to consider and so their decision making efforts can be classified as extensive problem solving. In this particular set of problem solving phase, the consumer needs a lot of information to set a criteria on the basis of specific brands could be judged.

## Limited Problem Solving

In limited problem solving, the consumers have already set the basic criteria or standard for evaluating the products. However, they have not fully set the established preferences and they search for additional information to discriminate among other products or brands.

## Routinized Response Behavior

Here, in routinized response behavior, consumers have experience with the product and they have set the criteria for which they tend to evaluate the brands they are considering. In some situations, they may want to collect a small amount of additional information, while in others they may simply review what they are aware about. In extensive problem solving, consumer seeks for more information to make a choice, in limited problem solving consumers have the basic idea or the criteria set for evaluation, whereas in routinized response behavior consumers need only little additional information.

## Views of Consumer Decision Making

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### An Economic View

Consumers have generally been assumed to make rational decisions. The economic view of consumer decision making is being criticized by researchers because a consumer is assumed to possess the following traits to behave rationally:

- Firstly, they need to be aware of all the alternatives present in the market
- Secondly, they must be able to efficiently rank the products as per their benefits.
- Lastly, they must also know the best alternative that suits them as per their requirements.

In the world of perfect competition, consumers rarely have all the information to make the so called 'perfect decision.'

### A Passive View

Passive view is totally opposite to the economic view. Here, it is assumed that consumers are impulsive and irrational while making a purchase. The main limitation of this view is that consumers also seek information about the alternatives available and make rational or wise decisions and purchase the products or services that provides the greatest satisfaction.

### A Cognitive View

The cognitive model helps individuals to focus on the processes through which they can get information about selected brands. In the framework of cognitive view, the consumer very actively searches for such products or services that can fulfill all their requirements.

### An Emotional View

Consumers are associated with deep feelings or emotions such as, fear, love, hope etc. These emotions are likely to be highly involving.



## 13. PRE-PURCHASE AND POST-PURCHASE BEHAVIOR

Consumer decision making involves a continuous flow of interactions between environmental factors and behavioral actions.

The process of consumer decision making involves pre-purchase information and post-purchase outcomes.



## Pre-Purchase Behavior

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When a consumer realizes the needs, he goes for an information search. He does the same, so that he can make the right decision. He gathers the information about the following:

- Product Brands
- Products Variations
- Product Quality
- Product Alternatives.

The consumer can gather information about a product depending on his age, gender, education and product's price, risk and acceptance.

## Types of Search Activities

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The information search activity can be classified into various types such as the following:

### Specific

Specific kind of activities are directly related to the problem. These kinds of requirements need immediate assistance.

### Ongoing

Consumers go on with their research for a particular period of time if they decide or if they want to buy a particular product. Ongoing activities basically show the work in progress.

### Incidental

Now, anything that we observe incidentally or just accidentally or naturally comes under incidental research. Such information can be observed in our daily routine lives.

Following are the information sources available:

The information sources are of two types which are listed under

- **Internal Sources:** Internal sources includes the consumer himself. Here he himself recalls the information that is stored in his memory and uses his experiences.
- **External Sources:** External sources of information include all sorts of interpersonal communication with the external environment such as friends, family, marketing people, through advertisements, etc.

## Post-Purchase Behavior

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All the activities and experiences that follow purchase are included in the post purchase behavior. Usually, after making a purchase, consumers experience post-purchase dissonance. They sometimes regret their decisions made. It mainly occurs due to a large number of alternatives available, good performance of alternatives or attractiveness of alternatives, etc.

The marketers sometimes need to assure the consumer that the choice made by them is the right one. The seller can mention or even highlight the important features or attributes and benefits of the product to address and solve their concerns if any.

A high level of post-purchase dissonance is negatively related to the level of satisfaction which the consumer draws out of product usage. To reduce post-purchase dissonance, consumers may sometimes even return or exchange the product.

## Unit 3 – Individual Determinants

# 14. MOTIVATION

Needs are the core of the marketing concept. The study of Motivation refers to all the processes that drives in a person to perceive a need and pursue a definite course of action to fulfill that need.



**What are Needs:** Every individual has needs that are required to be fulfilled. Primary needs are food, clothing, shelter and secondary needs are society, culture etc.

**What are Wants:** Needs are the necessities, but wants are something more in addition to the needs. For example, food is a need and type of food is our want.

**What are Goals:** Goals are the objectives that have to be fulfilled. Goals are generic and product specific in nature. Generic goals are general in nature, whereas product specific goals are the desires of a specific nature.

Needs and fulfillment are the basis of motivation. Change takes place due to both internal as well as external factors. Sometimes needs are satisfied and sometimes they are not due to individual's personal, social, cultural or financial needs.

## Theories of Motivation

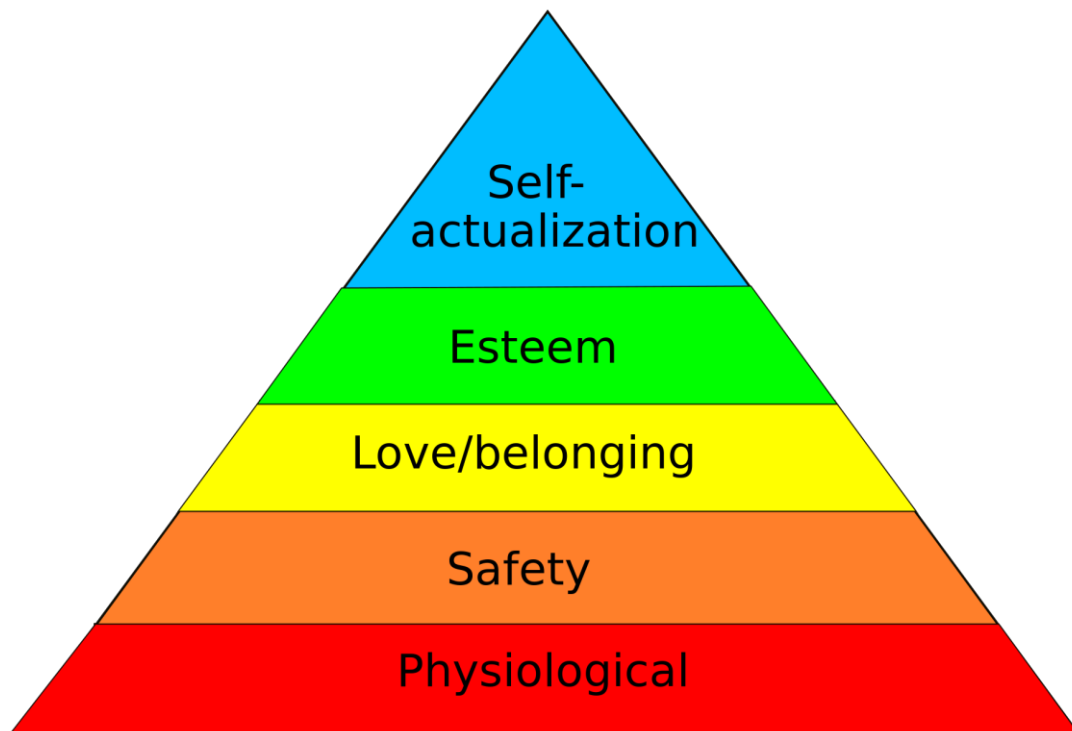
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### Maslow's Theory of Need Hierarchy

Based on the notion of a universal hierarchy of human needs Dr Abraham Maslow, a clinical psychologist formulated a widely accepted theory of human motivation. This identifies five basic levels of human need which rank in order of importance from lower level needs to higher level needs.

This theory signifies the importance of satisfying the lower level needs before higher level needs arise. According to this theory, dissatisfaction motivates the consumer.

Following are the levels of human needs:



### Maslow's Need Hierarchy Theory

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- **Physiological Needs:** Food, clothing, air, and shelter are the first level needs. They are known as the basic necessities or primary needs.

- **Safety or Security Needs:** Once the first level needs are satisfied, consumers move to the next level. Physical safety, security, stability and protection are the security needs.
- **Social Needs:** After the safety needs are satisfied, consumers expect friendship, belonging, attachment. They need to maintain themselves in a society and try to be accepted.
- **Esteem Needs:** Then comes esteem needs such as self-esteem, status, prestige. Individuals here in this stage want to rise above the general level as compared to others to achieve mental satisfaction.
- **Self-Actualization:** This is the highest stage of the hierarchy. People here, try to excel in their field and improve their level of achievement. They are known as self-actualizers.

## Motivational Theory and Marketing Strategies

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Marketers have to understand the motives of their potential customers to enjoy good sales. A buyer has several motives and each change with various elements. In such cases the marketers can readily help their customers by changing their marketing strategy so that the conflict is resolved. Following are the major conflicts that may arise:

- **Approach Conflict:** This conflict arises when a consumer has two different choices of similar products or services. He gives equal importance to them, but is unable to choose one over the other.
- **Approach Avoidance Conflict:** This type of conflict happens when the consumer decides in favor of a product, but is unhappy with a particular feature of the product and wants to avoid it. Under such circumstances, the marketer may come up with few modifications in the existing product and make it suitable for the consumer.

# 15. PERSONALITY AND SELF CONCEPT

## Personality

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To understand a buyer needs and convert them into customers is the main purpose of the consumer behavior study. To understand the buyer habits and his priorities, it is required to understand and know the personality of the buyer.

Personality signifies the inner psychological characteristics that reflect how a person reacts to his environment. Personality shows the individual choices for various products and brands. It helps the marketers in deciding when and how to promote the product. Personality can be categorized on the basis of individual traits, likes, dislikes etc.

Though personality is static, it can change due to major events such as death, birth or marriage and can also change gradually with time. By connecting with the personality characteristics of an individual, a marketer can conveniently formulate marketing strategies.

We will discuss in this chapter the various theories of personality.

## Trait Theory

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Traits are the features of an individual or tendency of an individual in a particular manner. Traits help in defining the behavior of consumers. According to the Trait theorists, an individual's personality make-up stems out of the traits that he possesses, and the identification of traits is important.

Following are the few of the most common traits:

- Outgoing
- Sad
- Stable
- Serious
- Happy go lucky
- Relaxed
- Self assured
- Practical
- Imaginative

Trait theory is representative of multi-personality theories. Trait theory is based on certain assumptions, such as traits which are certainly stable in nature and a limited number of traits are common to most of the people.

According to the Trait theorists, an individual's personality make-up stems out of the traits that he possesses, and the identification of traits is important. The trait theories can be of two broad categories, viz., Simple trait theories and general trait theories.



## Simple Trait Theories

In simple trait theories, a limited number of traits are identified, and people are categorized and classified on the basis of these traits.

## General Trait Theories

In general trait theories, a large variety of traits are identified.

## The Psychoanalytic Theory of Freud

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

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

The socialization process that takes place within people in a social set up has a huge impact on individual behavior. Freud explained much of how the psyche or the mind operates, and proposed that, human psyche is composed of parts within our awareness and beyond our awareness.

He said that all behavior within an individual cannot be explained, much lies in the subconscious.

- **Id:** According to Freud's psychoanalytic theory of personality, the id operates based on the pleasure principle, which stresses on immediate fulfillment of needs. The id is the personality component made up of unconscious psychic energy which satisfies basic urges, needs, and desires.
- **Ego:** Ego is that state of awareness which thinks of you as separate from the other. It always thinks of the glories of the past and hopes of the future and focuses on guiltiness. It always thinks of what was and what could be.
- **Super Ego:** The superego provides guidelines for making judgments. It is the aspect of personality that holds all our moral standards and ideals that we acquire from both parents and society.

## Neo-Freudian Theory

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There were a group of psychologists who believed that social interaction and resultant relationships formed the basis for the growth and development of personality. Here, they disagreed with their contemporary, Freud, who believed that personality was:

- Biological and rooted in genetics, and
- Was groomed as a result of early childhood experiences. This group of researchers who laid emphasis on the process of socialization came to be known as the Neo. To form a personality, social relationships are very important.

Based on this, consumers are classified into three personality types:

- **Complaint Personalities:** They prefer love and affection and so they move towards them and so they prefer known brands.
- **Aggressive Personalities:** They tend to move against others and they show off their need for power, success etc which is quite manipulative.
- **Detached Personalities:** They are not much aware of brands and are more self reliant and independent.

Marketers also tend to use Neo-Freudian theories while segmenting markets and positioning their products.

## Self Concept

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Self concept is defined as the way, in which we think, our preferences, our beliefs, our attitudes, our opinions arranged in a systematic manner and also how we should behave and react in various roles of life. Self concept is a complex subject as we know the understanding of someone's psychology, traits, abilities sometimes are really difficult. Consumers buy and use products and services and patronize retailers whose personalities or images relate in some way or other to their own self-images

Traditionally, individuals are considered to be having a single self-image which they normally exhibit. Such type of consumers are interested in those products and services which match or satisfy these single selves. However, as the world became more and more complex, it has become more appropriate to think of consumers as having multiple selves.

## What is Self-Concept?

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The below are some of the major aspects of Self-concept

### Self-Concept is Organized

We all have various views about ourselves. We all may think we are kind, calm, patient, selfish, rude and what not. It doesn't matter what perception you have about yourself, but the one perception that facilitates all these insights is organized self concept. When a person believes in something that matches his self concept he sticks to his view and does not agree to change the same and even if does, it takes a lot of time.

### Self Concept is Learned

It is believed that self concept is learned and no person is born with a self concept. It develops as and when we grow old. Our self concept is built when we meet people socially and interact with them. We are the ones who shape or alter our self concept and its quite natural that we may have a self concept different for ourselves as compared to what people think about us.

For example: If an individual thinks, he is very generous and helpful, it may not necessarily be the case with others. Others may see him as a selfish person.

## **Self Concept is Dynamic**

Our self concept in life is not constant and it may change with instances that take place in our lives. When we face different situations and new challenges in life, our insight towards things may change. We see and behave according to the things and situations.

Thus, it is observed that self concept is a continuous development where we let go things that don't match our self concept and hold on those things that we think are helpful in building our favorable perception.

Self concept is the composite of ideas, feelings, emotions and attitudes that a person has about their identity and capabilities.

# 16. ATTENTION AND PERCEPTION

## Perception

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Our human brain attempts to make sense out of the stimuli to which we are exposed and our perception is an approximation of reality.

## Perception Influencers

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The following are the factors/theories, which can influence our perception

### Exposure

Exposure is the extent to which it encounters stimulus. Exposure is not enough to significantly impact the individual.

For example, in our daily life, we come across a number of hoardings, advertisements, banners etc. However, we don't pay much attention to them or tend to seek it out, but, if we want to purchase something, say, a motorbike, we may deliberately take effort and seek out such advertisements. Attention is a matter of degree. Our attention may be quite high when we read the directions mentioned on a road map and quite low when a commercial comes on the T.V.

### Weber's Law

Weber's law gives a theory concerning the perceived differences between similar stimuli of varying intensities. The stronger is the initial stimulus, the greater is the additional intensity needed for the second stimulus to be perceived as different.

For example, If there is a one and half inch reduction in the size of a five inch candy bar, it won't get noticed a bit but if the two inch long chewing gum gets reduced, then it would be noticed.

### Subliminal Stimuli

Subliminal Stimuli represent the words or pictures so as to be unidentifiable to the viewer's conscious perception.

Images may be flashed before the eye too quickly for the conscious mind to apprehend. For example, in 1957 in a drive-in theater in New Jersey, messages such as "Drink Coke" and "Eat Popcorn" were flashed on the screen and sales of these refreshments increased considerably as a result.

## Elements of Perception

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### Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli. A stimulus may be any unit of input to any of these senses.

Examples of stimuli include products, packages, brand names, advertisements and commercials. Sensory receptors are the human organs that receive sensory inputs. Their sensory functions are to see, hear, smell, taste and feel. All of these functions are called into play, either singly or in combinations, in the evaluation and use of most consumer products.

### The Absolute Threshold

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

### The Differential Threshold

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

### Subliminal Perception

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

## Attention

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Attention always precedes perception. Attention is the central process and perception is not at all possible without attention. The process of attention serves the various functions in the organization of our perception and other cognitive functions.

### Functions of Attention

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The following are some of the key functions relating to Attention, which are listed below:

#### Alerting Function

Attention here refers to a state of focused awareness with the readiness to respond. Distraction in such a case occurs with some interference which prevents the individual to continue with the task.

For example, when a teacher in a class asks the student to pay attention, it means the student can create such conditions where he prepares himself to be alert.

## Selective Function

The most important function of attention is selectivity. The selective function acts as a filter that allows information in and the unwanted information out. Here, the attention is focused on stimulus of ongoing interest, others being ignored.

For example, when you are in a tea party organized by your friend, you take a plate of snacks and cup of tea and stand chatting in your group of friends. While you are chatting, if you suddenly hear your name from some other group, your attention is diverted and you might start paying attention towards the group where you heard your name. This example shows that we can selectively attend to one task at a time and the ongoing task in this case is ignored.

## Limited Capacity Channel

It has been observed that we have quite limited capacity to process information that is available in the outside world. It means, we can process one task at a time. The task that requires multi-tasking cannot be carried out simultaneously because we have limited capacity to process the information.

For example, it is difficult to study or learn something from your book while you are listening to music. It is difficult as the task requires a lot of attention, so it is difficult to perform both simultaneously unless one task is highly practiced and done in routine to carry out these functions.

## Vigilance Function

Maintaining attention on a continuous task for a long time leads to vigilance. It has been observed that, attending to a task for long, particularly if the task is monotonous leads to poor performance.

For example: When you go on writing the same thing for 700 times, you tend to make mistakes after some time and this is because of central fatigue occurring due to monotonous task.

Thus, attentional processes serves the tuner function in filtering information selected for further processing that finally leads to perception.

# 17. CONSUMER LEARNING

According to Kotler's Definition, learning involves changes in an individual's behavior arising out of the experience. Most of the human behavior is learned over time, out of the experience.

Following are the features of consumer learning

- Consumer learning is a process. A process which continually changes and acquires new knowledge.
- This knowledge can be obtained from reading, discussing, observing, thinking, etc.
- Newly acquired knowledge or personal experience, both serve as feedback.

## Elements of Consumer Learning

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**Motivation** is the driving force of all important things to be learnt. Motives allow individuals to increase their readiness to respond to learning. It also helps in activating the energy to do so. Thus the degree of involvement usually determines the motivation to search information about a product.

For example, showing advertisements for summer products just before summer season or for winter clothes before winters.

Motives encourage learning and cues stimulate the direction to these motives. **Cues** are not strong as motives, but their influence in which the consumer responds to these motives.

For example, in a market, the styling, packaging, the store display, prices all serve as cues to help consumers to decide on a particular product, but this can happen only if the consumer has the motive to buy. Thus, marketers need to be careful while providing cues, especially to consumers who have expectations driven by motives.

**Response** signifies how a consumer reacts to the motives or even cues. The response can be shown or hidden, but in either of the cases learning takes place. Often marketers may not succeed in stimulating a purchase but the learning takes place over a period of time and then they may succeed in forming a particular image of the brand or product in the consumer's mind.

**Reinforcement** is very important as it increases the probability of a particular response in the future driven by motives and cues.

## Consumer Behavioral Learning Theories

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There are various theories which are developed to explain the learning theories. The below are the major theories related to consumer behavior.

**Classical Conditioning** theory refers to learning through repetition. This is referred to as a spontaneous response to particular situation achieved by repetitive exposure. It is such a kind of a behavioral theory which says, when a stimulus is connected to or paired with another stimulus, it serves to produce the same response even when used alone.

For example, if you usually listen news at 9 pm and have dinner too at 9 pm while watching the news then eventually the sound of news at 9pm may make you hungry even though you are not actually hungry or even if the dinner is not ready.

Instrumental Theory is developed by B F SKINNER, an American psychologist, he was the first to develop this model of learning. Instrumental theory suggests that human beings learn by trial and error method and then find out a particular stimulus that can yield best results. Then, this is subsequently formed as a habit

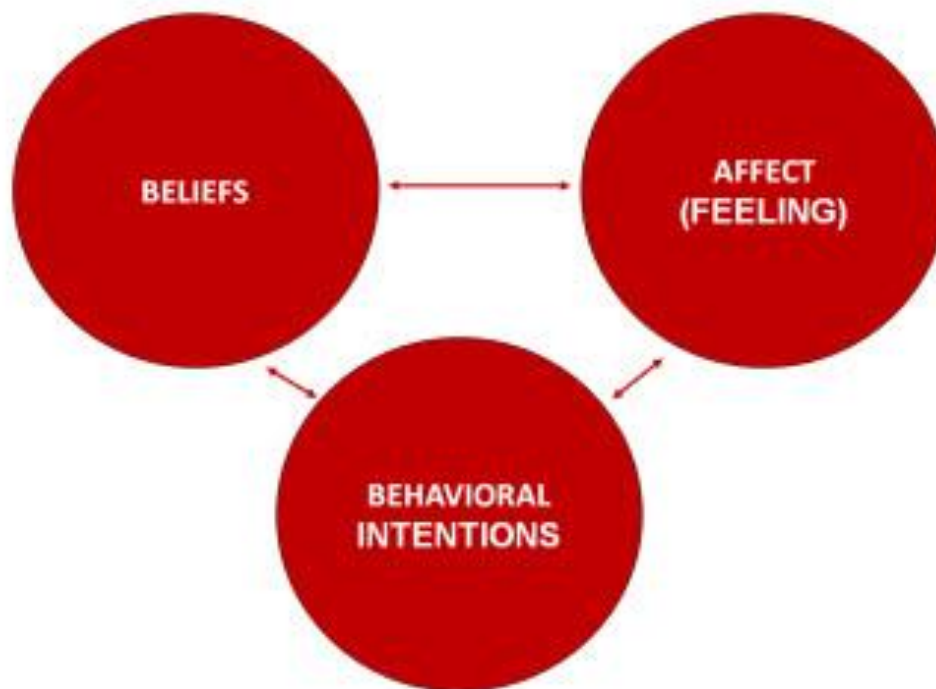
This theory is very important and applies to many common situations in the context of consumer behavior. It suggests that consumers learn by means of trial-and-error method in which some purchase behaviors result in a more favorable outcome.



# 18. CONSUMER ATTITUDES

Consumer attitude may be defined as a feeling of favorableness or unfavorableness that an individual has towards an object. As we, all know that an individual with a positive attitude is more likely to buy a product and this results in the possibility of liking or disliking a product.

Consumer attitude basically comprises of beliefs towards, feelings towards and behavioral intentions towards some objects.



**Belief** plays a vital role for consumers because, it can be either positive or negative towards an object. For example, some may say tea is good and relieves tension, others may say too much of tea is not good for health. Human beliefs are not accurate and can change according to situations.

Consumers have certain specific **feelings** towards some products or brands. Sometimes these feelings are based on certain beliefs and sometimes they are not. For example, an individual feels uneasy when he thinks about cheese burst pizza, because of the tremendous amount of cheese or fat it has.

**Behavioral intentions** show the plans of consumers with respect to the products. This is sometimes a logical result of beliefs or feelings, but not always. For example, an individual personally might not like a restaurant, but may visit it because it is the hangout place for his friends.

## Functions of Attitudes

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The following are the functions of attitudes

- **Adjustment Function:** Attitudes helps people to adjust to different situations and circumstances.
- **Ego Defensive Function:** Attitudes are formed to protect the ego. We all are bothered about our self-esteem and image so the product boosting our ego is the target of such a kind of attitude.
- **Value Expression Function:** Attitudes usually represent the values the individual posses. We gain values, though our upbringing and training. Our value system encourages or discourages us to buy certain products. For example, our value system allows or disallows us to purchase products such as cigarettes, alcohol, drugs, etc.
- **Knowledge Function:** Individuals' continuously seeks knowledge and information. When an individual gets information about a particular product, he creates and modifies his attitude towards that product.

## Models of Attitude

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The following are the models of attitude

- **Tri-component Model:** According to tri-component model, attitude consists of the following three components.
- **Cognitive Component:** The first component is cognitive component. It consists of an individual's knowledge or perception towards few products or services through personal experience or related information from various sources. This knowledge, usually results in beliefs, which a consumer has, and specific behavior.
- **Affective Component:** The second part is the affective component. This consists of a person's feelings, sentiments, and emotions for a particular brand or product. They treat them as the primary criteria for the purpose of evaluation. The state of mind also plays a major role, like the sadness, happiness, anger, or stress, which also affects the attitude of a consumer.
- **Conative Component:** The last component is conative component, which consists of a person's intention or likelihood towards a particular product. It usually means the actual behavior of the person or his intention.

## Unit 4 – External Influence

# 19. INFLUENCE OF CULTURE AND SOCIAL CLASS

An individual has his own choice and mindset. Consumer buying behavior eventually refers to the buying behavior of an individual. An individual can get affected by the environment in which he lives, his culture, his social class, his psychology and his personality. Now, marketers need to understand this psychology and the mindset of these consumers, also, understand what all factors influence their behavior to develop effective marketing strategies.

## Culture

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Culture is a very important aspect to understand the behavior of a consumer. It signifies the set of values of a particular community.

An individual decides to behave in a certain manner because of his culture. He gets all these values from his parents and family. Every individual has different sets of values as compared to others, what they see from their childhood when they start practicing those habits, they become their culture.

Culture does vary from individual to individual, region to region, and country to country, so the marketer needs to pay a lot of attention in analyzing the culture of various regions and groups. Throughout the process, the consumer is under influence of his culture as his friends, family, society, and his prestige influence him.

For a marketer, it is very crucial to take all these things into consideration while analyzing or observing a consumer's behavior as they play a vital role in his behavior, perception and expectations.

For example, if we observe the taste and preferences, people in southern India prefers rice to roti whereas north Indian people prefer roti than rice.

## Social Classes

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The social groups or membership groups to which an individual belongs are the social classes that influence him. In the social classes, we usually find people with similar values, lifestyle and behavior. Now a marketer or a researcher needs to pay attention here because generally the buying behavior of people in a particular social class to some extent is similar, though the level of influence may be low or high, he can tailor his marketing activities according to different social classes. Social perception is a very important attribute that influences the buying behavior of an individual.

Example: A person from a low-income group may focus on price while making the purchase while a person from a higher income group may consider the quality and uniqueness of the product.

Sometimes an individual also is influenced by a social group to which he does not belong, but wishes to get connected with others. For example, in a college a student is in no need to buy a smart phone but purchases it to be part of that group and be accepted by them.

Marketers need to understand these situations well and plan their strategies accordingly for such social benefits. Individuals play various roles in the consumer buying process:

**Initiator:** Initiator is usually the person who comes up with an idea and suggests the purchase.

**Influencer:** He is the individual who actually pushes for the purchase. He highlights the benefits of the product. This individual can be from the family or friend or outside the group too.

**Decision Maker:** He is generally the person who takes the final decision or the final call after analyzing all the pros and cons of the product. He may not necessarily be the final buyer as may also take the decision on behalf of the consumer.

For example, a father might decide on buying a laptop for his son or a brother might decide on the best career option for his sister.

**Buyer:** Buyer is generally the end user or the final consumer who uses the product.

## Family

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As we, all know family plays a very important role in making a purchase. The family is responsible for shaping up the personality of an individual. Our attitude, perception and values are inculcated through our family.

An individual tends to have similar buying habits and similar taste and preference and consumption patterns as he gets to see within the family. Perception and family values have strong influence on the buying behavior of an individual which they tend to keep constant.

## Social Status

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A social status of an individual usually comprises of an individual's attitude, class and prestige. It depends on the way he carries himself socially or the position at which he is in his work or family or even in his group of friends. The social status of an individual influences his consumption pattern.

Example: A CEO may want to have a celebration and give a party to his colleagues, friends and family, so for his social status he may want to book a five star hotel, something like Taj or Oberoi instead of any other normal hotel.

A purchase decision takes place because of the above-mentioned factors. A consumer is influenced by his culture, environment, family, social status and groups. Companies need to understand these factors and develop strategies and market themselves accordingly to meet the needs of the consumers and increase sales.

## 20. RELATIONSHIP MARKETING

Relationship Marketing is very much beneficial while seeking to establish a long-term relationship with the customers. The idea behind relationship marketing is to retain regular or old customers. Acquiring new customers is quite difficult as compared to retaining existing customers.

In relationship marketing, the focus is on retaining customers for longer runs. For this purpose, the marketer pays more attention on providing orientation of the benefits for taking those products.

He tends to give quick and efficient customer service to satisfy the consumer and to make it a point that the consumer comes back. Here, in this stage, it fulfills all the promises or the commitments regarding the after service or anything related to the product made to the customers.

The main point here is that, the quality in which the marketer pays the utmost attention. To retain the customers for a long run the marketer should give the customers the desired quality with all the required features and characteristics and of course, the marketer should be readily available for the customers to provide effective service or products.

### **Factors affecting Business and Relationship Marketing**

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As we, all know consumer needs tend to change gradually with time. The likes, dislikes, tastes and preferences of consumers change with time. For example, a girl who liked a dress when she was 15 might not like the same dress when she is 25.

Marketers too need to study the market and acquaint these changing factors to survive in the market and retain customers.

**Fewer Suppliers and Customers:** Marketers need to alter their marketing strategies according to various markets.

In a consumer market, there are many suppliers and consumers, so the marketer needs to work accordingly to motivate the consumer and retain him. Whereas in a business market, the competition is even tougher, where there are limited or fewer customers and suppliers. Here the buyers may not always be the end users as they are focused and know about their wants and needs. In such kind of markets, it is very difficult to change the opinions of the consumers.

Personal contact between the buyers and sellers is quite possible in a B2B market. Here, the buyer is not always the consumer, and he might come in contact with the seller directly for his whole-sale or retail business. Whereas, in case of B2C market, the consumers may or may not have any personal contact with the seller, since now-a-days consumers prefer buying products online or even from a self-service store.

## Possibilities for Mutual Benefit

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In B2B markets, usually the buyers and sellers have personal contact so that they have some mutual benefit which is not possible in case of B2C markets where the buyers and sellers hardly meet or have any personal contact.

All the above-mentioned factors affect the marketing relationship of consumers and sellers. Marketing planning is the crucial part of marketing relationship. Marketers very carefully need to plan their marketing strategies regarding launching a new product in the market, developing a new product, managing and deciding about the lifecycle of a product.

Marketers need to act in a consumer centric manner where they need to understand what a consumer exactly needs. He needs to explain all the features and highlight all the main or most beneficial ones to the consumers, he needs to decide on the price of the products, the region or the markets or the distributors who are very important while marketing a product. He needs to understand the sentiments of the consumers before marketing or advertising a product.

Thus marketing strategies should always be consumer centric. The strategies should not focus on profit but more on consumer satisfaction. As it is well said Consumer is the king, marketers should not try to influence consumers but should themselves be influenced by them. Thus understanding consumer behavior and then planning strategies accordingly can lead to a long marketing relationship with the consumers.

### **Haldiram's Strategy to Build a Brand in South**

Haldiram's, a household name in ready-to-eat snack foods in India, offered a wide range of products to its customers. The product range included namkeens (savories), sweets, sharbats, bakery items, dairy products, papads, and ice-creams. Namkeens remained the main focus area for the group.

By specializing in the manufacture of namkeens, the company created a niche market. Haldiram's sought to customize its products to suit the tastes and preferences of customers from different parts of India. For example, it launched 'Murukku,' a South Indian snack, and 'Chennai Mixture' for south Indian customers

# 21. REFERENCE GROUPS

In our daily lives, we all get influenced by a variety of people while making our purchase decisions. We, as humans do a lot to try to impress others. We make purchase to get compliments and try that others should not think less of us.

A reference group is the group whose perspective we consider. Now our reference could be very large or very small including few of our family members or few close friends. Reference groups influence people a lot in their buying decisions. They set the levels of lifestyle, purchasing patterns, etc.

Reference groups are of two types:

- Primary Groups
- Secondary Groups

## Primary Groups

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Primary reference groups are basically the set of people whom you meet every day. They can be from your family, your close friends, your roommates, etc.

These people from primary groups may have a direct and strong impact in your lives and your buying decisions since they are very significant to you. Primary groups make you comfortable and give you a feeling that they are with you when you are confused about a purchase. These people give you very honest and clear advices as they are so close to you, due to which you could be more confident about the purchase. Research shows that the bond between people leads people to be effectively social and as satisfied consumers.

## Secondary Groups

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Secondary reference groups are usually formal and they speak less frequently. They might be professionals, your colleagues, your seniors at work or your acquaintance at club, etc.

In secondary reference groups the power to influence people is quite less as compared to primary reference groups as people in these groups are not that comfortable in sharing their thoughts or views on the purchase.

Let's have a look at few more reference groups

## Aspirational Group

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Aspirational group is the one to which a person may want to become part of. They currently are not part of that group but wish to become and get with that group. For doing the same, they try to dress, talk, act and even think the way the members of that group do.

For example, people who like Madhuri Dixit wish to become like her and meet her and so start purchasing and using all those products that she endorses.



## Dissociative Group

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The people in these groups are totally opposite to the people in the aspirational group. Here people deny of becoming or getting connected to a particular group. They just hate being related to that group.

For example, if people don't like a particular community, they would never like being connected to them. So they would try all the possible ways to avoid the way in which they dress, think or act.

Thus marketers need to understand the likes and dislikes of the consumers and also the groups to which they belong. Marketers should recognize the extent to which a reference group influences the consumer and he should also understand out of all the groups which group influences him the most.

## Family

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Family of a consumer plays an important role in the decision making process. The parents, siblings, relatives all have their own views about a particular purchase.

Following are the roles in the family decision making process:

- **Influencers:** Influencers are the ones who give ideas or information about the product or service to the consumer.
- **Gate Keepers:** Gatekeepers are the family members who usually panel the information. They can be our parents or siblings too who can in any form provide us the information about the product.
- **Decision Makers:** Family or our parents who usually have the power to take decisions on our behalf are the decision makers. After the complete the research they may decide to purchase the particular or dispose it.
- **Buyers:** Buyer is the one who actually makes the purchase of the product.
- **End Users:** The person who finally uses the product or consumes the service is the ultimate consumer also called as End user as per the context.

A consumer gets influenced by his family members as well as friends. Since childhood the culture which he follows or the rituals which he observes and the moral values and the religious principles he usually receives them from his family. However, the individual learns fashion, attitude or style from his friends. All these attributes or traits together influence the buyer's decision making.

## Unit 5 – Models of Consumer Behavior

## 22. TYPES OF CONSUMER BEHAVIOR MODELS

### Industrial and Individual Consumer Behavior Models

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Understanding buyer behaviors plays an important part in marketing. Considerable research on buyer behavior both at conceptual level and empirical level has been accumulated. There are two types of buyers:

- Industrial (organizational) buyer
- Individual consumer

Organizational buying behavior has many distinctive features:

- First, it occurs in a formal organization which is caused by budget and cost.
- Second, in some conditions, joint decision-making process may occur, and this is not possible in individual buying behavior.
- Finally, conflict occurs and they are hard to avoid in the joint decision making process.

In order to understand the organizational buying behavior, we first consider who will be involved in the buying process and what are their expectations. At least, purchasing agents, engineers, and final consumers will participate in the buying process.

The potential of different decision maker are different in different situations. In this model, there are five different sets of variables determining the expectations of the individual:

The individuals' background, information sources, vigorous search, the selective bend of the information based on their previous information and expectations, satisfaction with previous purchase.

Except the perceptual distortion, the other four variables that are easy to gather information.

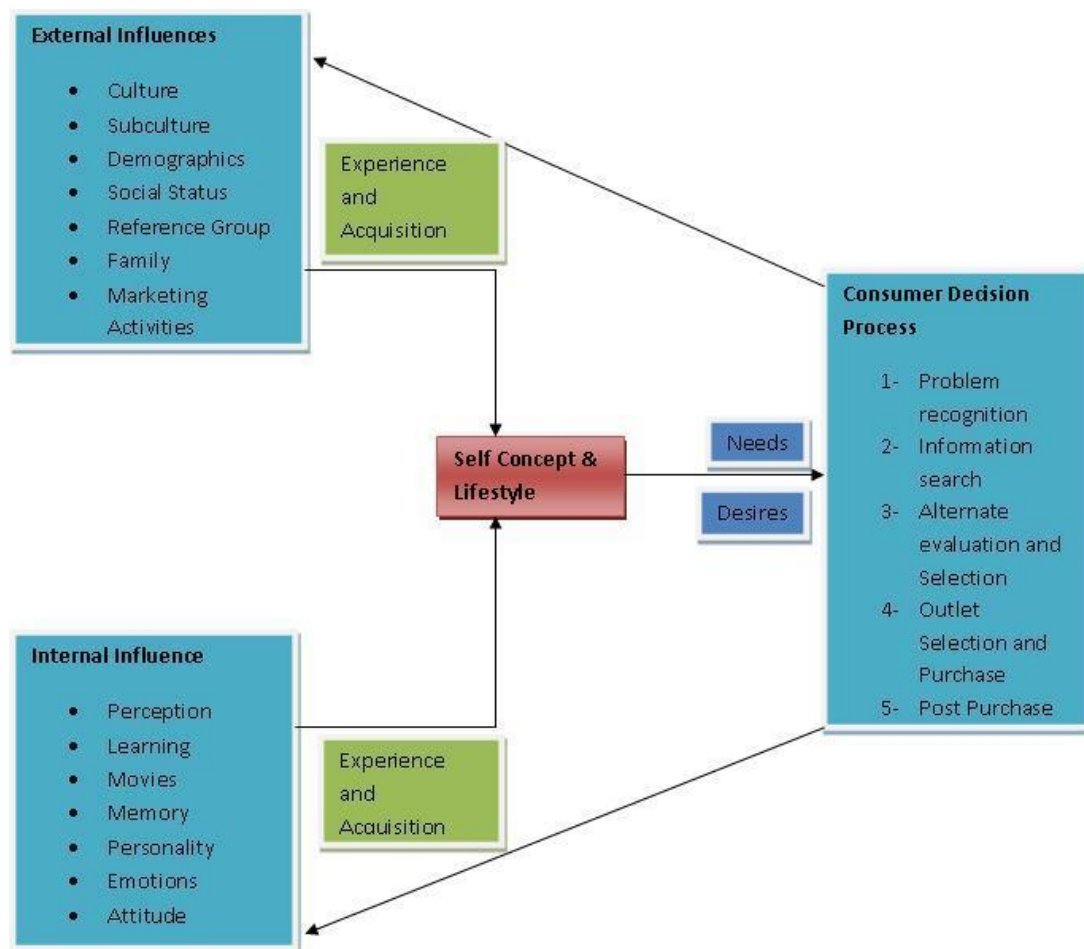
The second part of the model is regarding the industrial buying processes: Independent decision which means that the decision is delegated to one department, joint decision processes.

The product-specific factors (the perceived risk, the type of purchase, and time pressure) and the company-specific factors (company orientation, company size, and degree of centralization) will determine the type of factor.

The greater the apparent risk, the more preferred to joint decisions. If it is a life-time capital buy, the more likely the joint decision will take place.

If the decision has to be made at an emergency, it is likely to entrust to one party. A small and privately-owned company with product or technology orientation will lean towards independent decisions.

While a large public company with decentralization will tend to have joint decision process.



Individual and industrial model

## Economic Man Model

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. Economic man model is based on the following effects:

- **Price Effect:** Lower the price of the product more will be the quantity purchase.
- **Substitution Effect:** Lower the price of the substitute product, lower will be the utility of the original product purchase.
- **Income Effect:** When more income is earned, or more money is available, quantity purchased will be more. The economic theory of buyer's decision-making was based on the following assumptions:

As consumer resources are limited, he would allocate the available money which will maximize the satisfaction of his needs & wants.

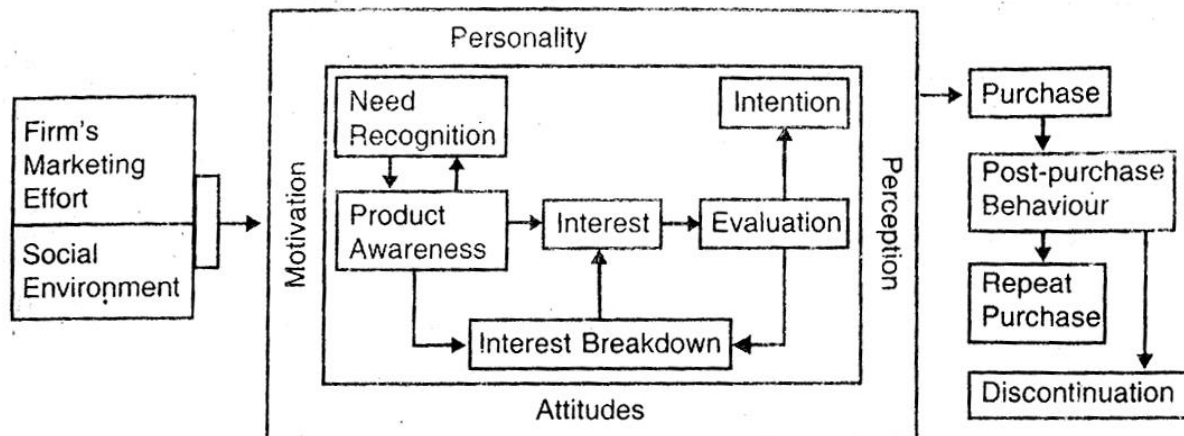
Consumers have complete knowledge about the utility of each product and service, i.e., they are capable of completing the accurate satisfaction that each item is likely to produce.

As more units of the same item are purchased the marginal utility or satisfaction provided by the next unit of the item will keep on decreasing, according to the law of diminishing marginal utility.

Price is used as a measure of sacrifice in obtaining the goods or services. The overall objective of the buyer is to maximize his satisfaction out of the act of purchase.

## Learning Model

This model suggests that human behavior is based on some core concepts – the drives, stimuli, cues, responses and reinforcements which determine the human needs and wants and needs satisfying behavior.



- **Drive:** A strong internal stimulus which compels action.
- **Stimuli:** These are inputs which are capable of arousing drives or motives.
- **Cues:** It is a sign or signal which acts as a stimulus to a particular drive.
- **Response:** The way or mode in which an individual reacts to the stimuli.

If the response to a given stimulus is "rewarding", it reinforces the possibility of similar response when faced with the same stimulus or cues. Applied to marketing if an informational cue like advertising, the buyer purchases a product (response); the favourable experience with the product increases the probability that the response would be repeated the next time the need stimulus arises (reinforcement).

**The Psychoanalytic Model:** The model suggests that human needs operate at various levels of consciousness. His motivation which is in these different levels, are not clear to the casual observer. They can only be analyzed by vital and specialized searching.

**Sociological Model:** This is concerned with the society. A consumer is an element of the society and he may be a member of many groups and institutions in a society. His buying behavior is influenced by these groups. Primary groups of family friend's relatives and close associates extract a lot of influence on his buying. A consumer may be a member of a political party where his dress norms are different from different member. As a member of an elite organization, his dress needs may be different, thus he has to buy things that confirm to his lifestyle in different groups.

## 23. IMPLICATIONS OF MARKETING MODELS

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

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

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

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

### **Example of ABC Fancy Dream Stores**

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

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

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

### **Implications**

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#### **New Strategies for New Times**

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

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

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

### **Find New Pastures**

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

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

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

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

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

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

### **Look at your Distribution Channels**

A stressed economic situation not only changes the consumer, but also changes the sellers. Consumers are normally more close to the brand than the retail store, hence their first option is not to change the brand, but try to find the brand at a cheaper price at another store.

With more time at hand and greater incentive to economize, more consumers are likely to shop at overexcited markets than the pricier supermarkets and ease stores. The search for value and bargains will also turn the shoppers to online shopping – the only channel that will grow even faster than overexcited markets.

### **Helping the Consumer**

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

### **Family, Home, and Security**

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

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

## **Communication**

It is not just the product but also the message, which needs to reflect the current consumer mind. The communication messages of nowadays needs to reflect sentiments of care and protection, rational and careful behavior, performance and value these tones of communication, which always appealed to the Chinese consumers, are likely to find even greater meaning in these times.

## **Go Digital**

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

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

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

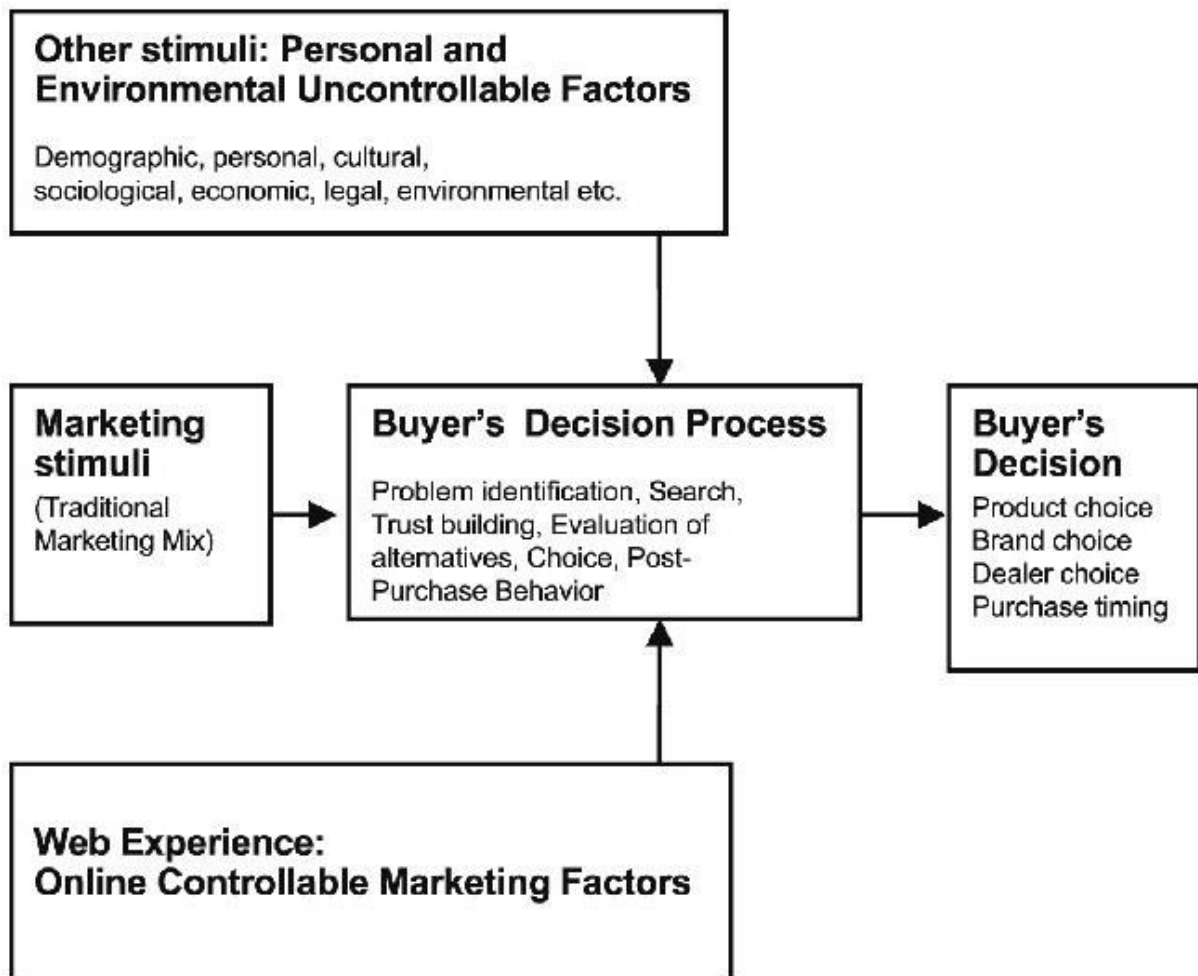
Things are changing at an exceptional pace. As a result, so is the consumer atmosphere and sentiment, which will have an effect on their decision-making and the brands and products that they buy. If marketers do not feel their pulse all the time, they could go wrong. One cannot just listen to the consumer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



## 24. ONLINE CUSTOMER BEHAVIOR

With the evolution of online communication through internet, customers now see online advertisements of various brands. It is fast catching up with the buying behavior of consumers and is a major source of publicity for niche segments and also for established brands. This is the new way of digital revolution and businesses worldwide have realized their worth.

Examples: Online catalogues, Websites, or Search engines. When customers have sufficient information, they will need to compare with the choices of products or services.



### Online Customer Behavior Process

According to the above figure, in the search stage, they might look for the product reviews or customer comments. They will find out which brand or company offers them the best fit to their expectation.

During this stage, well-organized web site structure and attractive design are important things to persuade consumers to be interested in buying product or service.

## Stage 1

The most useful characteristic of internet is that it supports the pre-purchase stage as it helps customers compare different options.

## Stage 2

During the purchasing stage, product assortment, sale services and information quality seem to be the most important point to help consumers decide what product they should select, or what seller they should buy from.

## Stage 3

Post-purchase behavior will become more important after their online purchase. Consumers sometimes have a difficulty or concern about the product, or they might want to change or return the product that they have bought. Thus, return and exchange services become more important at this stage.

## Factors of Online Customer Behavior

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The first elements to identify are factors that motivate customers to buy products or services online. They are divided into two categories: external factors and internal factors.

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

## Filtering Elements

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Customers use these three factors to filter their buying choices and decide on the final selection of stores they are willing to purchase from. They use the knowledge to filter their purchase options by three factors:

- Security
- Privacy
- Trust and Trustworthiness

# 25. CONSUMER EXPECTATIONS

Before a company or a marketer can delight the customer, it must have an in-depth knowledge of the customer's expectations so that not only are they able to meet but exceed the expectation, to delight the customer.

For this, knowledge of the core elements of the products and services are essential. The core elements of a product are its shape, quality, price, packaging, brand name differentiation etc. while the core elements of services are reliability, fulfillers and responsiveness to specific needs assurance and acceptability etc. from the service provided.

In the case of a product (tangible), the customer should be provided with what he expects and the core elements which remain almost the same. However, services being intangible and their characteristics which are intangible, inseparability, perishability etc. must be kept in mind.

The core elements given above can be manipulated to exceed the expectations of the customer as the human touch is also involved and this can give unexpected positive elements to delight the customer and have a competitive edge as well.

- A customer expects essential benefits.
- A customer expects performance and not blank promises.
- A customer expects competency.

## Services and Products

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A customer normally looks for the following services:

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

## Working towards Enhancing Customer Satisfaction

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To generate delight is not an easy job. Companies are varying with each other for competitive advantage.

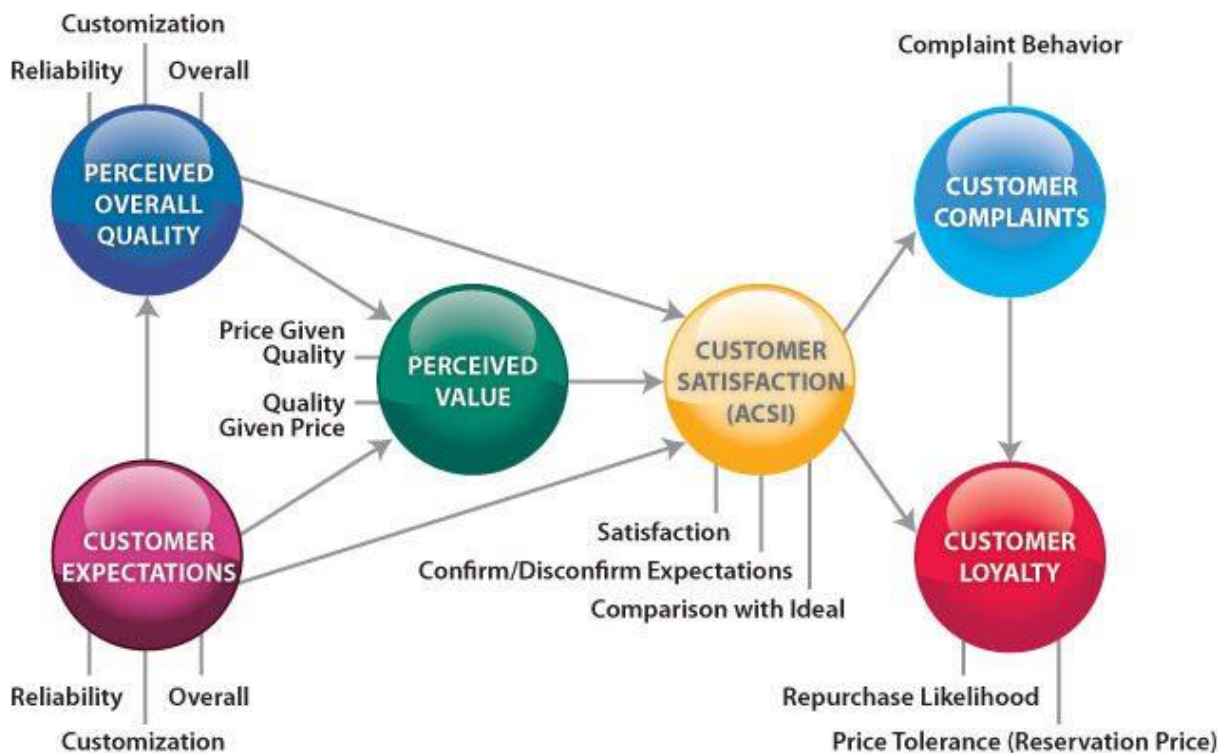
A customer gets more satisfaction when he least expects it. In predicting the effects on product evaluation and customer satisfaction of disparity between expectations and actual or objective product performance; at least four psychological theories the company also delivers at the doorstep of the consumer which generates unparalleled value and satisfaction. For this, one must:

- 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.

## Customer Expectation and Satisfaction

Customer satisfaction may be defined as the product's performance according to buyer's expectations.



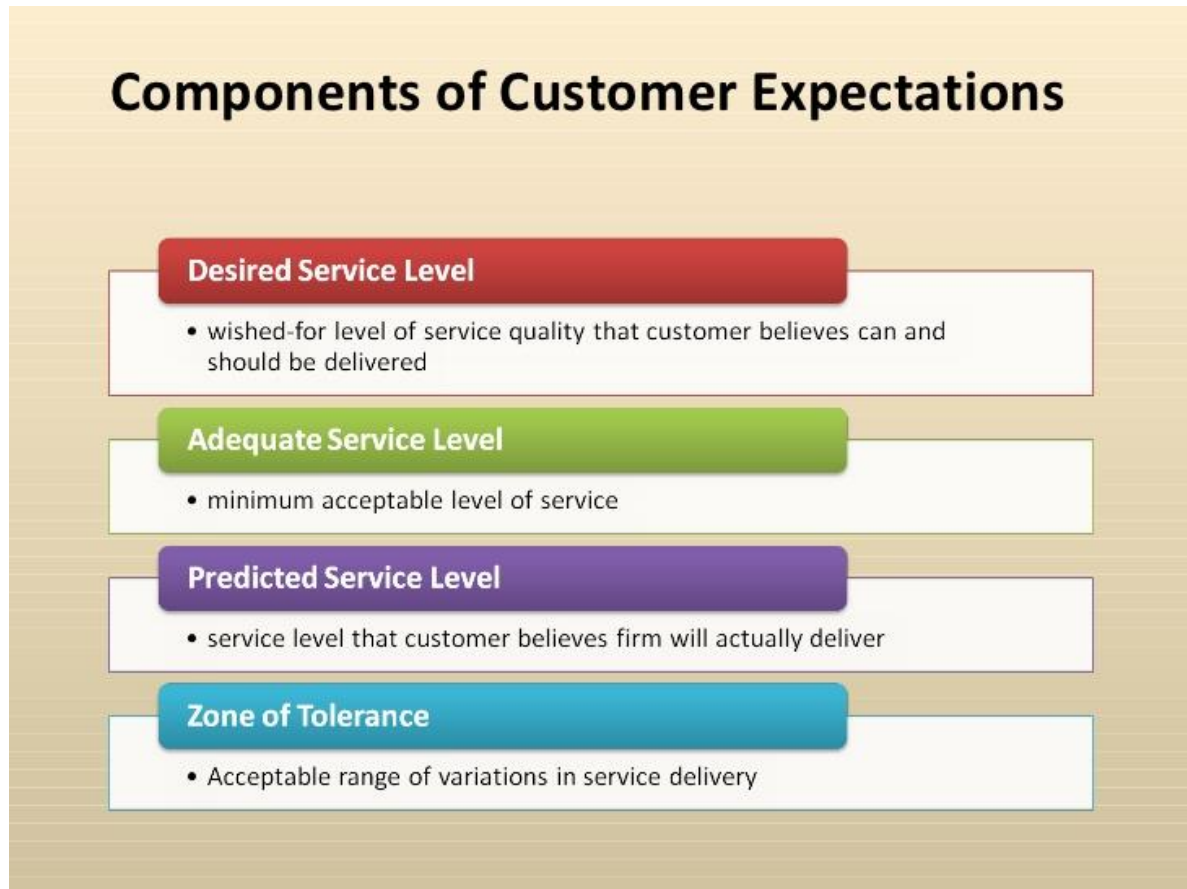
Consumers form expectations about the value of marketing offers and make buying decisions based on three expectations.

Customer satisfaction depends on the products actual performance relative to a buyer's expectations. But, how do buyers form their expectations and expectations are based on the customer's past buying experience.

Marketers must be careful to set the right level of expectations. If they set expectations too low they may satisfy those who buy, but fail to attract enough buyers.

Consumer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass consumer expectation.

Take a look at the following illustration. It shows the major components of Customer Expectations:



Organizations are increasingly concerned in retaining existing customers while targeting non-customers. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the market place.

## Unit 6 – Emerging Trends

## 26. EMERGING ISSUES

With the advent of technology, consumers now have access to all kinds of information regarding every product and service they want to avail. Consumers have become smarter, their tastes and preferences have changed. What used to be the luxuries of life have now become the necessity.

The competition has increased and brands are struggling to beat the competition. Let us examine some of the issues in the field of consumer behavior that has emerged these days because of the overall advancement of technology and people.

### **Consumer Behavior – Past and the Present**

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The figure given below will help you develop the clear difference between the consumers of yesterday and today.



**Consumer Yesterday**





### Consumer Today

Write down three points that come to your mind with reference to consumer of yesterday and today while seeing the above two images.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Thus, it is clearly evident that:

1. Consumer of yesterday didn't had choices to choose from
2. They have to go to different shops to shop their needs and requirements
3. Consumers had low buying power, and were more cost conscious as compared to brand / quality conscious
4. The Focus Yesterday was to fulfil the basic need instead of impressing others



## Issues in Consumer Behavior

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Consumerism has been identified as the root cause of the emerging issues in consumer behavior. Consumerism is used in context of advancement of consumer oriented tendencies, marked by availability of a variety of manufactured consumer goods and active advertising of the products in various media.

To offer products and services that are in demand, today's marketers need to identify the factors that influence buying behavior. Some of these factors are mentioned below:

### Quality

Consumers are now interested in items that deliver a variety of features along with quality. Today consumers look for products that are long lasting and reliable. This feature has increased the time invested by the manufacturers in choosing the quality of components to be used in making these products.

### Added Advantage

Today consumers want to experience something new and are inclined to shop from the place where they get added advantages. For instance a store offering special discount.

According to ConsumerAffairs.com, 35% of consumers state that they are more likely to shop at a store where special promotions or discounts are available.



## Marketing Apps

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Today cell phones create another venue for consumers to do a variety of things. Cell phones today are not only used to make phone calls or send messages but to perform a variety of other functions, such as shop and surf the Internet.



This has led to increased consumer convenience where they can shop from anywhere across the world.

## 27. CROSS-CULTURAL CONSUMER BEHAVIOR

A consumer's level of exposure towards foreign goods or lifestyles may influence his buying decisions and preferences. Consumers tend to have an attitude when it comes to a particular product being made in a particular country. This attitude might be positive, negative, and neutral.

Cross-cultural consumer analysis is defined as the effort to determine to what extent the consumers of two or more nations are similar or different.

A major objective of cross-cultural consumer analysis is to determine how consumers in two or more societies are similar and how they are different. Such an understanding of the similarities and differences that exist between nations is critical to the multinational marketer, who must devise appropriate strategies to reach consumers in specific foreign markets.

The greater the similarity between nations, the more feasible it is to use relatively similar strategies in each nation. If they differ in many aspects, then a highly individualized marketing strategy is indicated.

The success of marketing and servicing in foreign countries is likely to be influenced by beliefs, values, and customs.

Here we have listed some of the best companies which are considered to be valuable, as they have understood the pulse of consumers and their tastes.

Coca Cola	Disney
Microsoft	McDonald
IBM	Nokia
GE	Toyota
Intel	Marlboro
Disney	