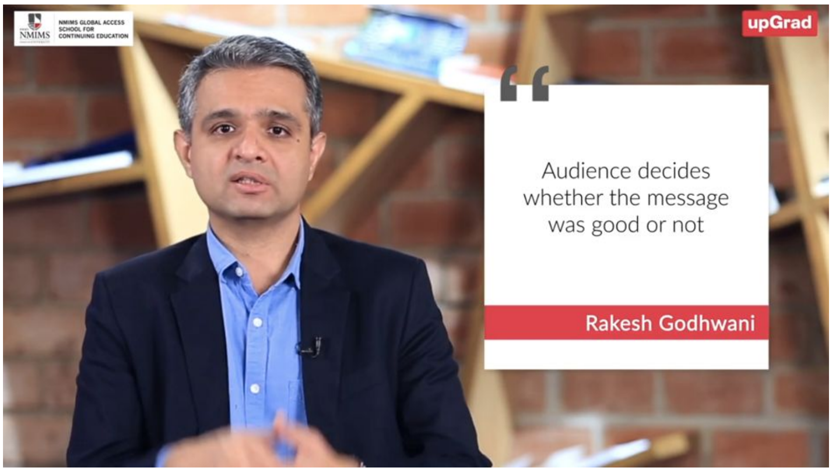
Transcription

The Consumer Decision Making Process

Consider Coke and Pepsi. Both have similar price points, are available at the same stores and have similar product characteristics. Taking into consideration what you have learnt in the last course - Economics, they would both lie quite close on the indifference curve. Now, if you are to choose between the two, which one would you pick?

But why? Why do you prefer, say, a pair of Nike shoes over Adidas? Or Maggi over a pack of Yippie noodles? Or a tube of Colgate over Pepsodent? It can't all be simple economics, right? Can you list down two factors that play an important role for you- as a consumer- while deciding which soft drink to purchase?

As you go through the responses of your batchmates, you would realise that our preferences and selection criteria are as different as we are. Being a marketer would require identifying the common attributes, common serviceable markets- that can generate revenue as well, that is sizeable serviceable markets – from this infinite range of preferences and attributes. And the first step towards this would be to understand the person you are serving or planning to serve- the consumer. It is her likes, dislikes, preferences, perceptions that would decide whether your product is accepted, or forgotten.



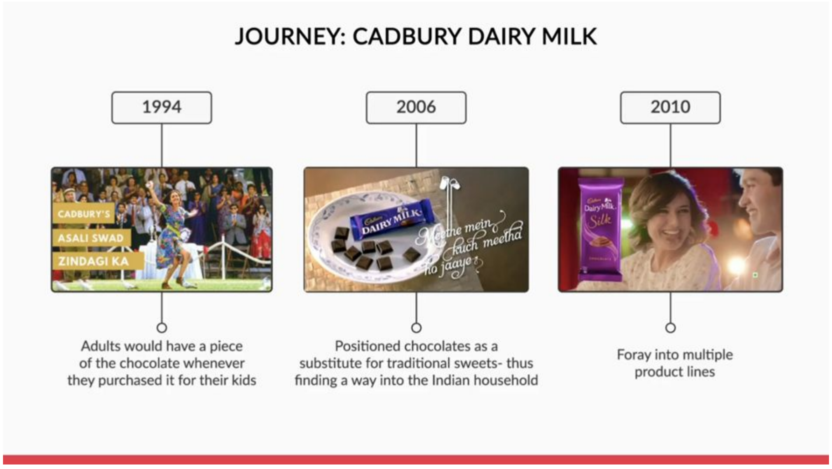
Remember Rakesh's words while he was talking about the importance of audience, while thinking about the structure of a presentation. There, he had given us quite a relatable analogy- the one where you are the chef. Well, that is true in the case of marketing as well and not even in an analogical way! It's verbatim true. You are a chef, you need to prepare, present and get your dishes to the consumers.

Now, no matter how great a dish you make, how well you present it, if the consumers don't like it- it'll find a place in the dumpster like the remains of a gone time. Now, if it doesn't point out 'WHY' consumer and understanding of consumer behaviour is important, I don't know what will!

You just looked at two advertisements for the chocolate brand Cadbury Dairy Milk. This brand has been a market leader in the segment since 1948. But what is it that differentiates this from say, a Nestle chocolate? Let's take a look at the journey of this brand from 1990s to 2019 in order to find an answer to this question!

Initially, the Cadbury Dairy Milk was positioned as a premium product, a luxury - for kids. Then, in 1994, it came up with the "Asli swaad zindagi ka" campaign – breaking the 'kids-only' image of the brand and prompting adults to have chocolates as well. Here, the insight they leveraged was that "Adults would have a piece of the chocolate whenever they purchased it for their kids.''

Once this was established, the brand then focused on increasing the frequency of consumption with its "Kuch meetha ho jaaye" campaign – featuring Amitabh Bachchan. This campaign also positioned chocolates as a substitute for traditional sweets thus finding a way into the Indian household. Here, the brand basically leveraged the insight that Indians prefer "having something sweet after dinner".

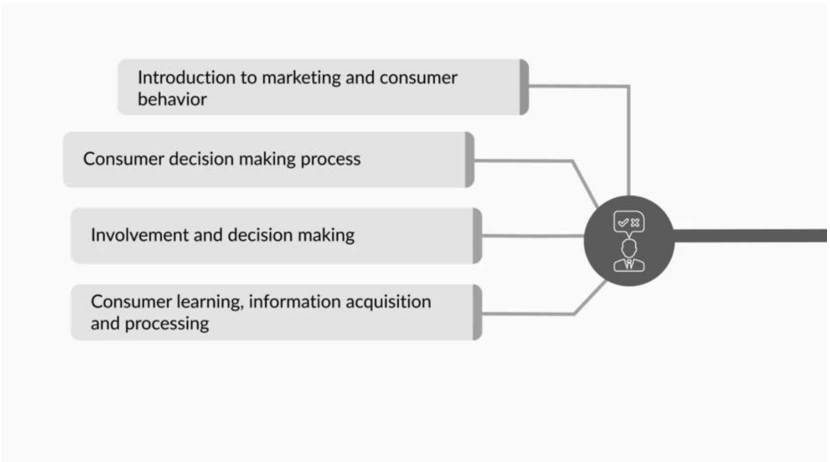


Now, if you notice, a product that had once been positioned as a premium item has now transitioned into an everyday staple. Leveraging this shift in the brand image, the brand then forayed into multiple product lines, keeping the 'Dairy Milk' as the baseline- the most successful among these being Dairy Milk Silk. So, the brand was essentially telling its consumers that the 20 rupees bar is something you eat on a regular basis now, so if you need to gift it to someone special, why not buy the 60 rupee bar of Silk!

So you see how the brand:

- First focussed on broadening the target segment: Breaking the "kids-only" image associated with this product category.
- Once the category was built, Cadbury focused on increasing the frequency of purchase among this target group by positioning it as an alternative to traditional sweets.
- Eventually, Cadbury repositioned a premium product as an everyday consumable for the entire family.
- And finally, when Cadbury has built the category and itself as a strong, reliable brand, it is now banking on premiumisation through multiple variants.

At each step of the way, the brand basically influenced and leveraged consumer behavior. In this module, we will look closely on different aspects of a consumer's decision making process – what prompts them to choose something or reject something. And then, we will look at how you can derive useful insights from this behavior and utilise it for your product or service. Sounds interesting, doesn't it?



Let's now take a bird's-eye view of what we are going to learn in this model on Consumer Behavior. This module is divided into four sessions:

1. The consumers decision making process
2. Internal factors impacting consumer behavior
3. External influences on consumer behavior
4. Understanding consumer behavior.

We will start with the first session on the consumer decision-making process. We will get a basic understanding of marketing as a discipline and the consumer decision-making process. We will start this session by gaining a basic understanding of the marketing process and then we will move on to look at the six-step consumer decision-making process that is:

1. Need identification

2. Information search
3. Evaluation of alternatives
4. Selection & trial
5. Purchase decision
6. finally the post-purchase behavior

Haven't gotten a broad understanding of the six steps. We will look at each of these in detail. First we will look at the concept of need recognition wherein we will see that it can be both internal and external.

Then we will move on to the concepts of involvement and decision-making where we will look at how consumers go about information search and how we determine the death of the search. Now here we will specifically look at the five types of purchase decisions frequently demonstrated by consumers, which are:

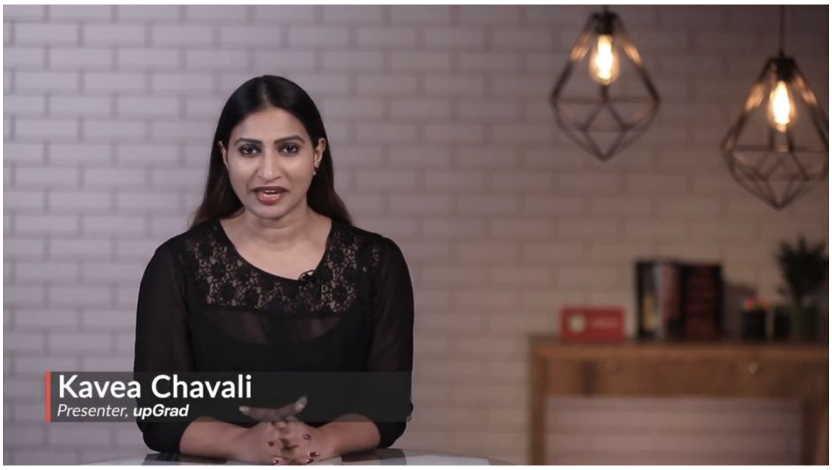
- Routine response behavior
- Variety seeking behavior
- Impulse buying
- Limit of problem solving
- Extensive problem solving

We will then look at the next two steps of decision-making through consumer learning, information acquisition and processing. Now here we will look at different decision making rules that a consumer mentally uses.

- Compensatory
- Non-compensator
- Affect referral decision rule

Finally we will look at post-purchase behavior through the lens of customer relationship management or CRM. With this we will conclude the first session. Next we will look at the different internal factors that affect the purchase behavior of a consumer. Here we will specifically look at the three such factors needs, goals and motivations, consumer perception and attitudes and learning. Having learnt about the different internal factors, we will move on to the different external factors and here we will look at the impact of culture and subculture, socio-economic factors and reference groups. Finally. We will look at the discipline of market research to understand consumer behavior. Now here we will first answer the question of ‘Why market research is needed and essential?’

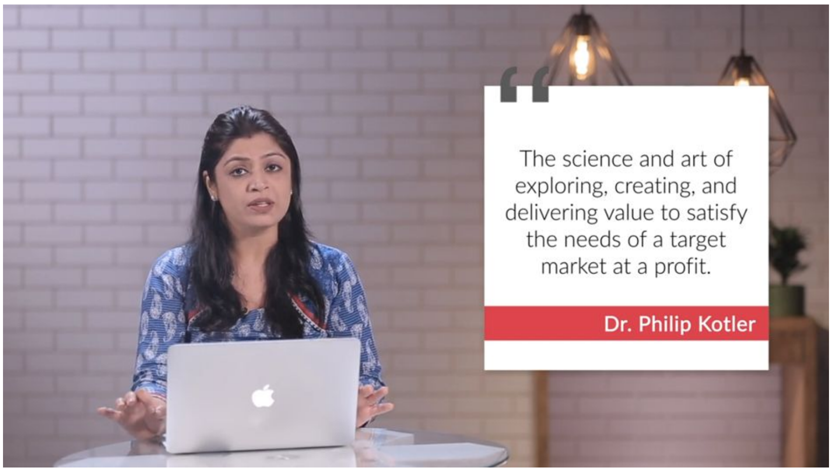
Next we will look at market research and briefs and this will be followed by qualitative and quantitative research methodology. And with that we will end the module of Consumer Behavior.



Welcome to the first segment of this session on the consumer decision making process. When you think of marketing, what comes to your mind? Probably an advertisement trying to provoke customers to purchase a particular product or service. But is that marketing is all about? Trying to sell a product to people? Then why don't we simply call it sales? Marketing is more than just trying to pitch a product or service to the consumers. It is not meant for just products and services, but people, events, places - everything can be marketed.

Consider the 2019 Indian General election, for example. The "Main bhi Chowkidar" campaign was an excellent marketing campaign. Similarly, the "Obama for America" presidential campaign of 2012 is another such campaign. They both aim to influence the, How their customers, the voters – think about them, so that they choose a particular person or group over others.

In this segment, you will get to know about the basic components and concepts of marketing. Let's learn about the same from Professor Chhavi.



In the words of Dr. Philip Kotler, marketing is “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit.'' Marketing is more than just creating a product and then trying to sell or pitch it to the consumers. It is a process that starts with identifying a particular need that the consumers have and continues through satisfying that need via a product or a service. Sounds rather complex, doesn’t it?

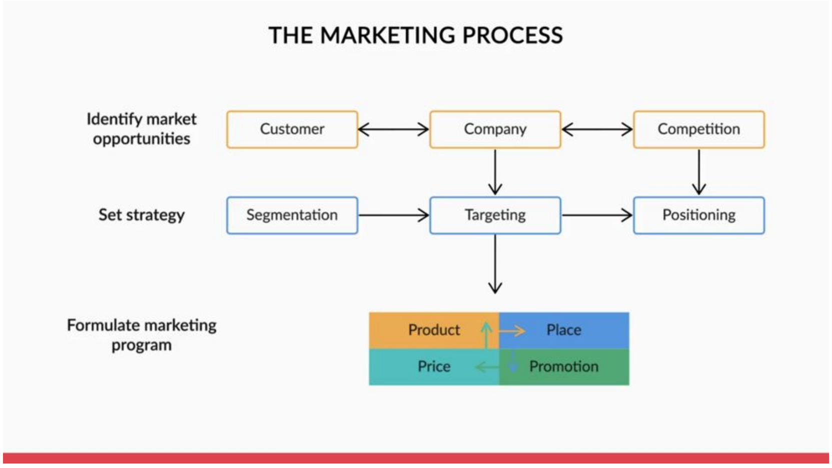
Let’s first look at the marketing process:

- The process starts with identifying market opportunities, with regards to:
    a. What the consumers want and need?
    b. What the company is good at doing?
    c. What are its core competencies?
    d. What the competition is doing?

For example, taking the increasing health consciousness among Indian consumers, Coke introduced Coke Zero, its zero calorie cola, in September 2014. Seeing its competition’s product doing well, Pepsi had to react. Taking both, the consumers and the competition into consideration, Pepsi introduced Pepsi Black, a canned zero-calorie carbonated beverage in May 2017.

- Once a market opportunity is identified, the next step is to set and formulate a marketing strategy through:
    a. Segmentation,
    b. Targeting, and
    c. Positioning the brand.

For example, both Coke Zero and Pepsi Black would want to target middle and upper class health conscious consumers looking for a low calorie soft drink. Both drinks positioned themselves as the soft drink of choice for the active, modern youth.

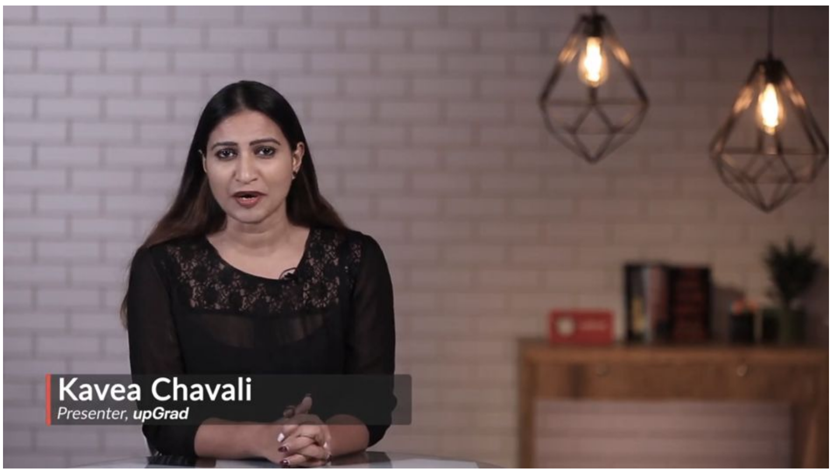


This is then followed by pinning down the four Ps: the Product, the Pricing, the Place, and the Promotion strategy. You will learn about STP and the 4Ps in detail in the upcoming module on Marketing strategy. Once the strategy is in place, the next step would be to implement the strategy using different marketing channels. All of this will be covered in detail later in the course. For now, we are going to focus on the very first element of the marketing process- Customers. Or should it be consumers? Don't these two refer to the same person? They do not.

Let's understand the difference between these two – Consumers and Customers. Customers are the people who purchase your product, but are not necessarily the end users. The consumers, on the other hand, are the end users- but they may or may not have purchased the product.

These two might be the same for some cases and different for others. For example, for baby food products like Cerelac, the customers are the parents, while the babies are the consumers. Even for a brand like Maggi, the purchase decision will be made by the parent of the household while the children consume it. While for products such as Snickers, the consumer and customer would mostly be the same. In other words, customers are the purchase decision makers while the consumers are the end users.

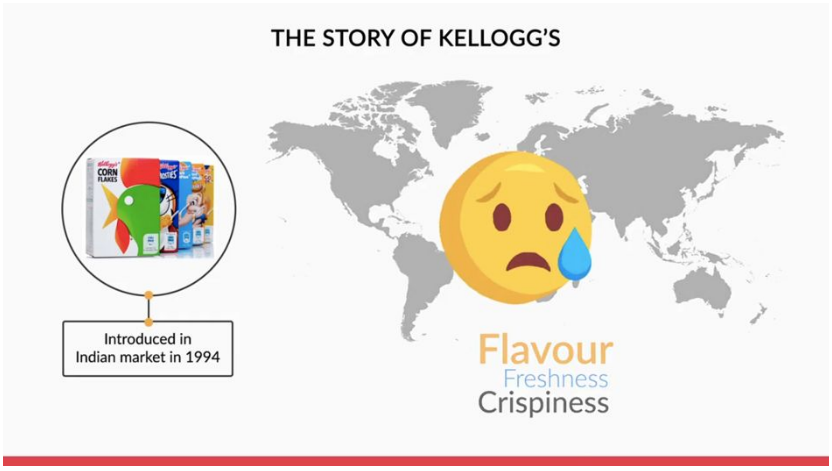
But no matter what you call them - consumers or customers- they need to be at the center of each and every decision you take as a marketer. Being consumer centric is the one thing you will find common in all the brands that are dear to their audience.



Need recognition is the first step of a decision making process of a consumer. It is a six step process that divides the entire journey of a consumer right from when he or she realises that they need something until their experience after purchasing and using the product. The six stages are:

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Selection & trial
5. Purchase decision
6. Post-purchase behaviour

We will learn about the six step process in detail.



Let's take the story of Kellogg's here. Introduced in the Indian market in 1994, this brand is the story of phoenix that rose from the ashes of its own failure. Initially, the brand continued telling the same story that it had been telling the consumers across other geographies - one about flavour, freshness and crispiness. But consumers tend to behave differently across different geographies, different ethnicities. They have different attitudes, perceptions and motivations. And marketers need to adapt to the consumer – Your marketing strategy and mix needs to be adapted to what will appeal to the unmet need of the consumer.

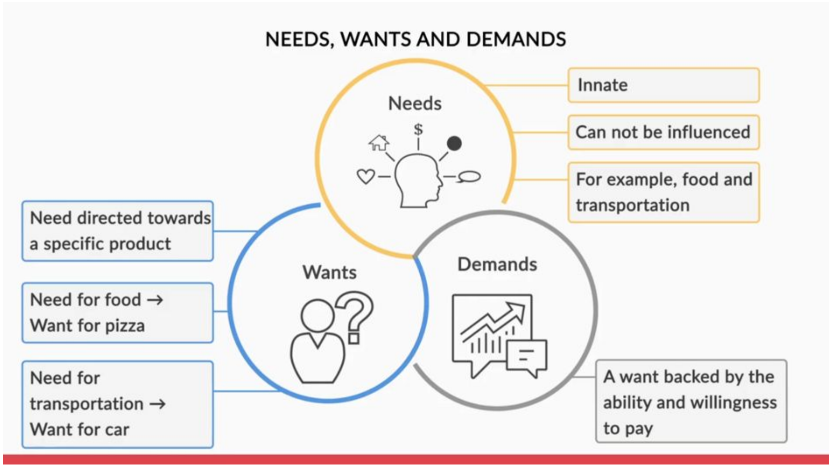
Now, here the issue was that Kellogg's was positioning its product as a standalone breakfast. But in India, families didn't see breakfast cereal as a standalone breakfast. Cereals are seen more as supplements to the standard breakfast. In fact, in one of Kelloggs' first distributor meets, one of the distributors famously asked – "Are we meant to have these flakes before the paranthas or after them?"

So while Kellogg's was telling the Indian consumers to eat corn flakes for breakfast, it simply didn't resonate with the consumers! Two important insights Kelloggs realised were that:

- First, the Indian mothers feel that milk and wheat is good for their children.
- And second, Indians like their milk hot and sweet. But the flakes tend to get soggy in warm milk. They taste better with cold milk – but that makes it difficult to dissolve the sugar.

What to do? Keeping these insights in mind, Kellogg's came up with rice flakes – that wouldn't get soggy in warm milk and have a natural sweetness when eaten with cold milk. They also repositioned their communication to portray the brand as a quick and healthy alternative for breakfast to reach out to the parents: And as a tasty, chocolaty, exciting brand to appeal to the kids.

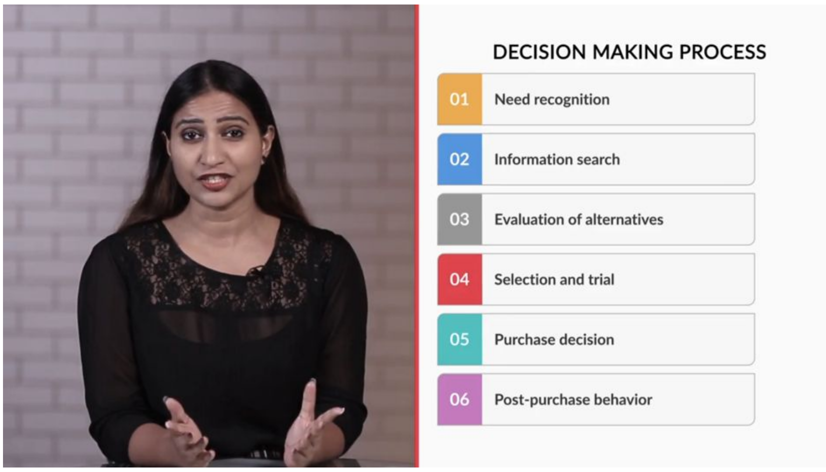
Now that you are aware of the difference between consumers and customers, and the need for brands to be consumer centric, let's take another look at the definition of marketing management.
It talks about "satisfying the needs" of our consumers. But what exactly is a need? And why does it talk about satisfying needs? Aren't marketers supposed to influence needs?



This is where the concept of Needs, Wants and Demands comes in picture. Needs are innate and can not be influenced. For example, food can be a need. Another one can be being able to move from one place to another- transportation.

A want, on the other hand, is basically a need directed towards a specific product. For example, the need for food can translate into a want for pizza. Or the need for transportation could translate into the want to purchase a particular car.

Now, suppose a person wants to purchase a BMW. If the person also has the ability and willingness to pay for that BMW, this want will transform into a demand. So, marketers can not influence needs, for the most part. They can influence wants and help in making consumers aware of their needs – recognise their needs.



In the last video, you understood some of the basic concepts of marketing. We were talking about the concept of need recognition and we also got introduced to the decision making process.
In this video, we will learn more about this six step process:

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Selection and trial
5. Purchase decision
6. Post-purchase behavior

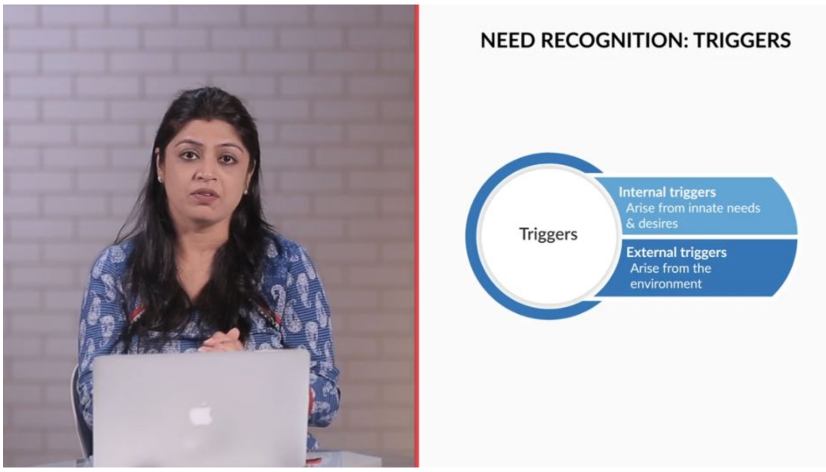
Let's hear more about the same from Professor.

Let us now take a look at how do consumers really take these purchase decisions. Typically a consumer, formally or informally, knowingly or unknowingly follows a certain decision making process while he is taking those purchase decisions. Let's go back to the last time you purchased a product, say a washing machine.

Where exactly did the decision making start? Perhaps your old washing machine was constantly having issues, or you realised you want a bigger one, or one with different functionalities – the reasons could be many. The underlying statement, here, being that you identified a problem or recognised a need.

Problem identification or need recognition is the very first step in the decision making journey of a consumer. Now, it is important to notice and identify the triggers that lead to need recognition among consumers. These triggers can be:

- Internal
- External



The internal triggers arise from the innate needs and desires of a person. For example, the inconvenience of clothes not being cleaned properly in the case of washing machine or the esteem needs from having a non-functioning washing machine in the house.

External triggers, on the other hand, could be seeing a new washing machine at a friend's house, or seeing an advertisement on television about the same. But the real magic happens when a consumer who has experienced an internal trigger is exposed to an external trigger immediately afterwards.

For example, suppose that your washing machine has not been working properly for the last few weeks and you come across this advertisement from Dr. Beckmann: In this case, how does your need for washing machine get modified? What happens to that need? Here, your first course of action would probably not be to look for a new washing machine, but to get your old washing machine serviced, but definitely not before you give Dr. Beckmann a try!

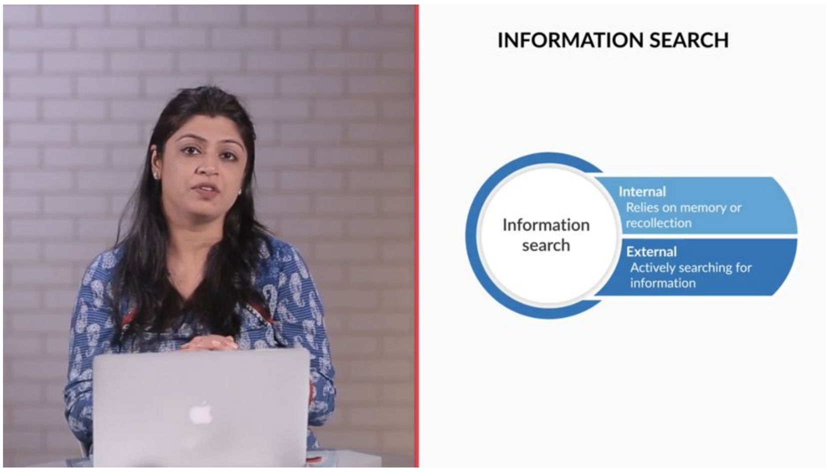
Hence, as marketers, you need to identify the circumstances that trigger a particular need by gathering information from a number of consumers. This can then help develop marketing strategies that can catch the interest of your consumers.

For example, suppose that an unsuspecting consumer comes across this advertisement from Rite bite. The advert focuses on the lack of protein in Indian breakfast. It makes the consumer aware about the gap between the required and consumed amount of protein in the Indian diet and hence, prompts him to look for more information on the same.

Once a consumer is aware of the presence of a need, he or she moves to the next stage – Information search. A consumer who recognises a particular need or problem will then be persuaded to search for information, which, again, can be:

- Internal
- External

An internal search for information mainly relies on consumer's memory or recollection of a particular product, or his past experience with a product or a service. Now, for some product categories, this could be enough to trigger purchase. For example, if a consumer needs to purchase detergent, and he or she had been using Surf Excel in the past and their experience with the brand was good, they would just go to the store and ask for it without much contemplation. We will revisit such categories in the next segment.



An external search for information involves actively searching for information from friends, family, or even the company or brand itself. These are the sources that a marketer can use to influence the buying decision. For example, continuing with the example of Rite Bite, suppose the consumer, after being exposed to the advertisement, decides to do a bit of research about it: It is interesting to note here that the external search for a particular product at one point of time might turn into internal search at a later point of time. For example, someone who has done extensive research on Protein bars once, would probably not do it again.

We will look at this in more detail – how humans store and retrieve information – in the next session when we look at the internal factors that impact the decision making of a consumer. For now, let's move on to the third stage in the decision making process – Evaluation of alternatives.

Once the consumers have gathered the required information, they would be required to evaluate all the alternatives at hand and then select one of them. While searching for information, the consumer would have prepared a mental list of different attributes that he or she would want or like to have in the product. In the case of a washing machine, the attributes could be:

- Price
- Capacity
- Technology
- Quality
- Model
- Size

Now, all the alternatives are divided into 3 groups or sets:

- Evoked set
- Inert set
- Inept set

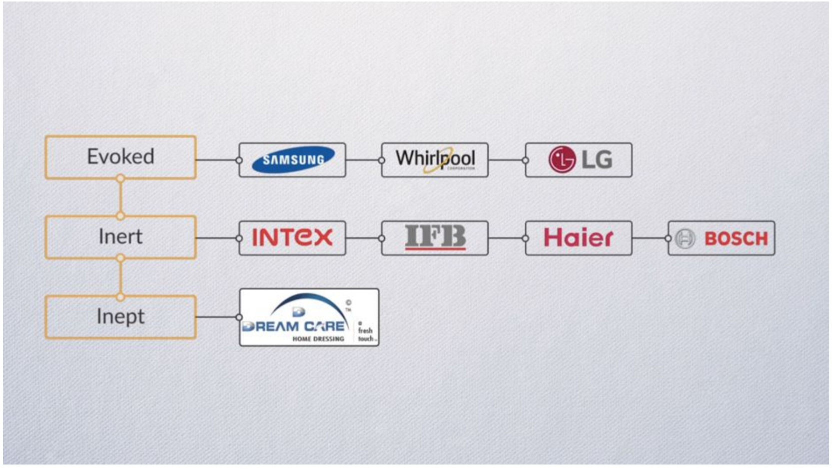
As a marketer, your aim at this stage, is to be a part of the evoked set. These are the options that the consumer is actively looking at. He or she is relatively indifferent towards the brands in the inert set- they form a backup option in case the consumer is unable to find the right product. The brands in the inept set, on the other hand, have already been rejected by the consumer, based on the information gathered. Continuing the example of a washing machine, the consumer would have come across multiple brands and products. The sets this consumer inadvertently forms could be

1. Evoked set:
    a. Samsung
    b. Whirlpool
    c. LG
2. Inert set:
    a. Intext
    b. IFB

c. Haier
d. Bosch
3. Inept set:
   a. Dream care

For Protein bars, for example, on the basis of research and search results, the set could be:

1. Evoked set:
   a. Yoga Bars
   b. Rite Bite
   c. Flat Tummies
2. Inert set:
   a. Muscle Blaze
   b. Quest
   c. BNRG
3. Inept set:
   a. Mojo Bar

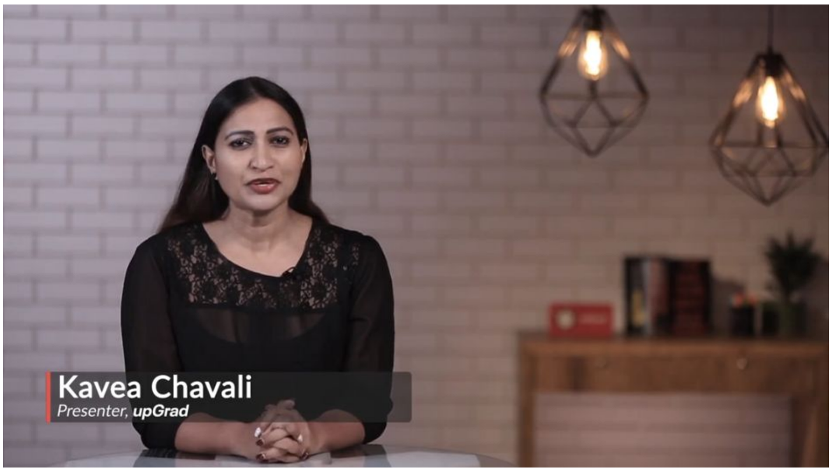


As a marketer, if your brand falls into the inert category, you need to identify the attributes that can move it into the evoked set. Based on the attributes deemed important by the consumer, he or she will select and finally purchase the product. You will learn more about the different decision making rules in the next segment.

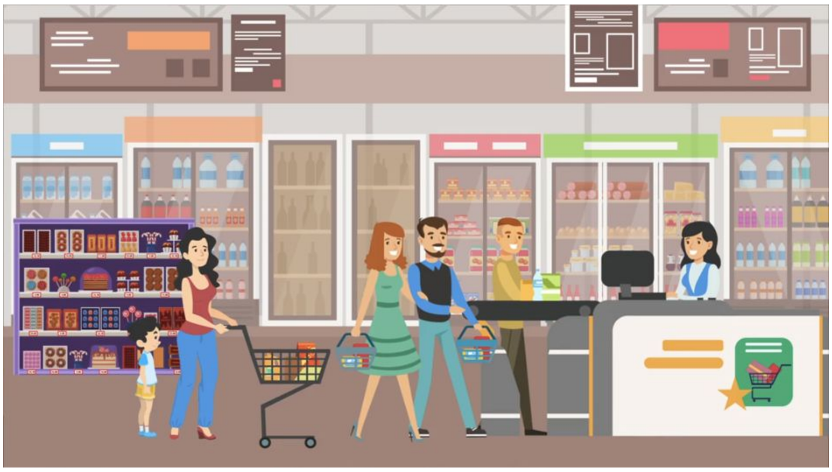
Finally, after purchase, once the consumer has used the product, he or she would deem the product to be satisfactory, unsatisfactory or delightful based on the value he or she derives from it. You will learn more about the concept of value towards the end of this module and, again, in the next module on marketing strategy.

Now that you are aware of the six stages of the decision making process that a consumer goes through, a new set of questions needs to be answered. Why exactly does a consumer go through all these 6 stages of decision making? And do they go through all the 6 stages for each and every product? Why or why not?

Consider, again, the example of a consumer purchasing Surf excel. On the face of it, this might seem like loyalty. But, what if the shopkeeper tells him or her that there's a 15% discount offer on, say, Tide? More often than not, he or she will substitute Surf excel with Tide, at least for the time being. Here, the consumer made a purchase decision on the spot. One of the reasons for this is because this was a low involvement product category. We will learn more about this and look at answering these questions in the next segment.



Welcome to this segment on Involvement and decision making. In the previous segment, you learnt about the six-stage consumer decision making process. There, you understood the entire process with the help of the example of a washing machine. The process is definitely an elaborate one! But, at times, it fails to explain consumer's behaviour. Like in the following case.



Rahul, an 8 year old, was accompanying his mother while she was shopping for groceries at a supermarket. As the two of them were waiting in a queue for billing, Rahul's eyes caught the sight of chocolates stacked neatly inside a purple mini-fridge near the counter. At once, he insisted that his mother had to buy him one.

Let's see what happened here – the sight of chocolates near the counter acted as a trigger for need recognition. After that, Rahul's past experiences with the product led him straight to the purchase stage. Now, he clearly did not go through any well-defined six stage process. This behaviour is called impulse buying – as the name suggests, buying on impulse without any previous plan of the same.

Similarly, as was also mentioned in the last video, there are other product categories like detergents, or staple foods that are low-involvement products. The consumer's involvement is low in these categories, because the risk of purchase failure associated with these is low. Let's learn more about these from Professor Chhavi.

Now not all products go through this rigorous decision making process that you just saw. For certain products we spend a little more time in taking decisions but for some others we do not. So those factors which really drive the consumer's decision making process are:

a. The Risk of purchase failure
b. The Degree of involvement with the product category

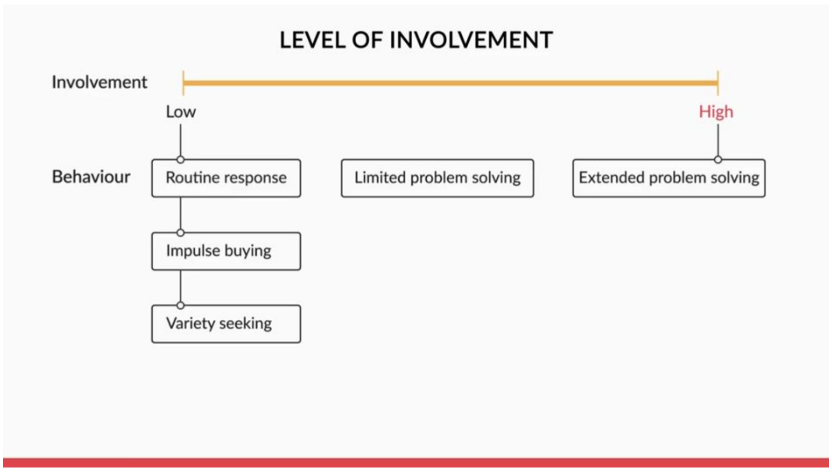
Let's first begin with the concept of "risk of purchase failure". What is the one basic instinct that, you think, provokes a consumer to go through extensive research before making a purchase? They want to minimise risk. The higher the perceived risk, more comprehensive would be the decision making.

Now, this risk could be related to:

- The product itself
- The social perception surrounding the product
- The monetary involvement

For example, pharmaceuticals or medical personal care products would be high risk product categories, as even a slight issue with the product can lead to huge heath issues. Regarding the risk related to social perception surrounding a product, consider Marlboro cigarettes or Old Monk rum. Since the social perception is not too kind for these product categories, many people would be apprehensive of claiming to be consumers of these brands. The final risk, monetary investment, would materialise in cases where the product or service is too expensive – purchasing a house, for example.

Based on the levels of risk, the product category could range from low involvement to high involvement. The level of involvement reflects how interested you are in consuming a product and how much information you need to make the final purchase decision.



The level of involvement in buying decisions may be considered a continuous scale, ranging from decisions that are fairly routine to decisions that require extensive research and a high level of involvement. Also, note that, whether a decision is low, high, or limited, involvement varies by consumer, not by product, although some products such as purchasing a house typically require a high-involvement for all consumers.

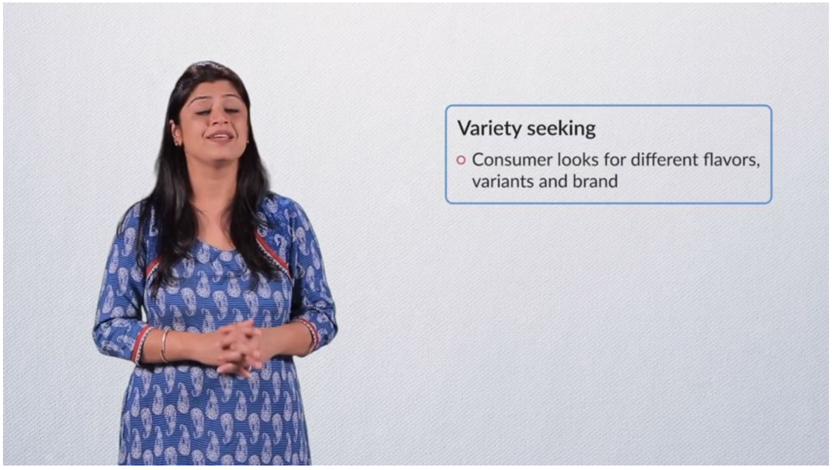
For example, while purchasing a shampoo would be high-involvement decision for a female, it is likely to be a low-involvement product for men!

Now, on the basis of level of involvement, the consumer would display one of the five behaviours:

- Routine response behaviour
- Variety seeking behaviour
- Impulse buying
- Limited problem solving
- Extensive problem solving

When the risk associated, and hence, the level of involvement is low, consumers are likely to display one of the three behaviours – routine response, variety seeking or impulse purchase.

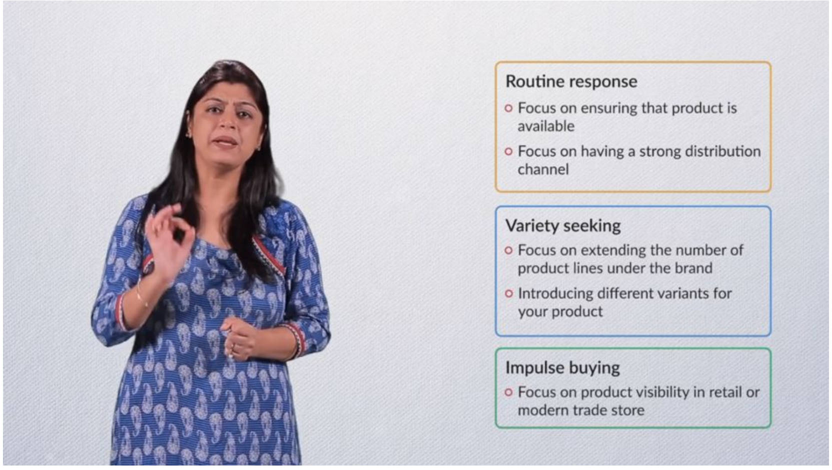
Routine response is when a consumer does not think too much and simply purchases the same brand that they have been purchasing. Remember the example, wherein a consumer goes to a retail outlet and simply asks for Surf excel, that is an example of routine response behaviour. Another example could be flour. Suppose that a consumer has been using just two brands: Shakti Bhog and Aashirvaad and he or she has no desire to 'try' or 'test' any other brand, because he or she is pretty much satisfied with the brands and is not too involved in the product category to look for varieties. This is also routine response behavior. Another reason behind routine response behavior could be addiction towards a particular brand. For example, if you are a smoker, you are likely to stick to just one particular variant from one particular brand.



On the contrary, in variety seeking behaviour, the consumer looks for different flavors, variants and even brands: simply because the associated risk is low. For example, while purchasing chips, if you see a new variant, you are more than likely to try it out. Similarly, other snack foods like cookies, biscuits also warrant this sort of behavior from the consumers.

Finally, remember how Rahul demonstrated Impulse buying while at the billing counter. Consumers display this behaviour when the risk as well as the monetary investment is low enough to warrant an unplanned purchase.

Okay, so your consumers display either of these three behaviours. So what? What does this mean for you, as a marketer? Identifying the type of behaviour that most of your consumers display towards your product, or brand, can help you in identifying the area of focus, that is:



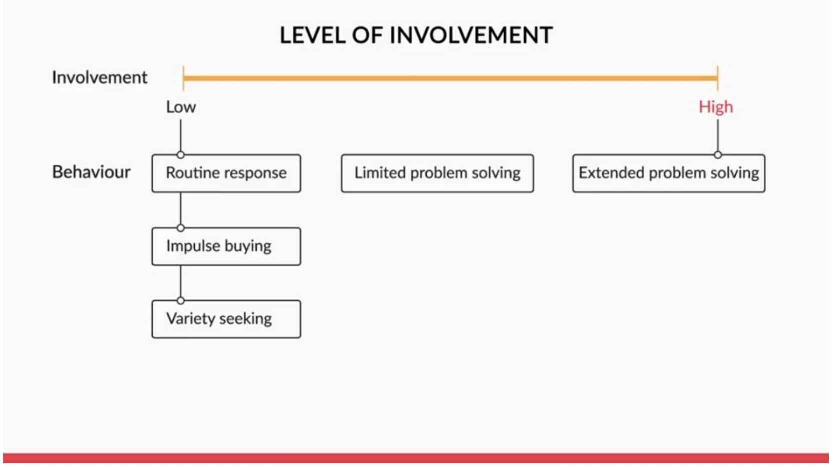
- If a major chunk of your target audience displays routine response behaviour, your focus would be on ensuring that the product is there, that it is available. Your focus will be on having a strong distribution channel.
- Conversely, if they display variety seeking behavior, your focus would be on extending the number of product lines under the brand, introducing different variants for your product so that the consumers do not think about switching to another brand, even for one purchase.
- Finally, if your product is likely to warrant impulse buying behavior, your focus would be on product visibility in a retail or modern trade store. The reason being that these products trigger need recognition by simply being there! By simply being visible.

Now, if the level of involvement lies somewhere midway between low and high, consumers exhibit a limited problem solving. The crux here being that the risk associated is not that high, but selecting one of the many alternatives would require at least some amount of research or problem-solving on the part of consumers.

For example, remember Rite bite, that was limited problem solving: the consumer went ahead and researched about the product category because he was not even aware of the different variants, the specifications, the criteria for judging the bars.

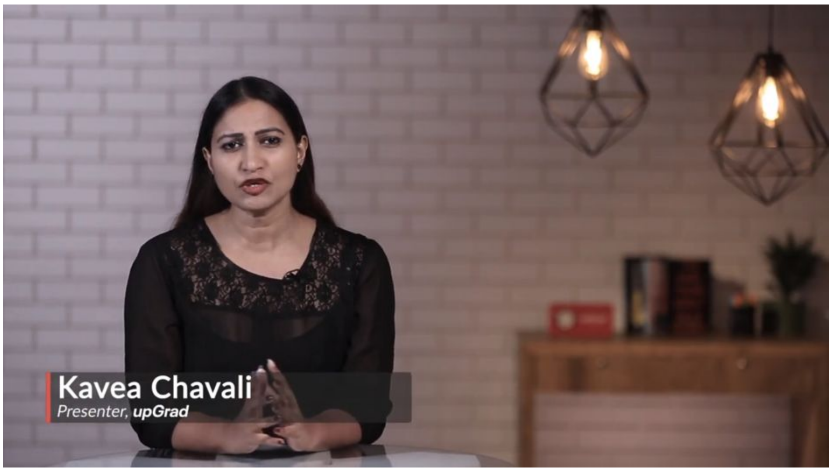
As a marketer, your role here would be to ensure that information about your product and the category as a whole is readily available. Your focus would be on Promotions if a major chunk of your target audience exhibits this behavior. You may also need to train the sales force, the retailers so that they can provide the required information to the consumers whenever required.

An interesting point to note here is that once the consumer has exhibited limited problem solving, he or she might just go ahead and switch to a routine response or variety seeking behaviour the next time he or she needs to purchase a similar product!



Finally, if the product or category has a high risk and high monetary investment associated with it, that is, it is a high-involvement category, the consumers will always exhibit extended problem solving. For example, buying a car, or a house, or even an insurance policy would warrant this kind of behaviour. Here, the consumers go all out looking for information and would require a lot of "Hand-holding" from the associated sales people. As a marketer, your focus in such cases would be on making the information readily available and training the consumer facing staff adequately.

Having understood about the six-step decision making process and consumer involvement as a whole, in this segment, the focus will be on how consumers acquire information and then process it in order to evaluate the alternatives and narrow down the consideration set. This segment will essentially deal with the second, third and fourth steps of the decision making process, with lesser focus on the fifth stage – Purchase decision.

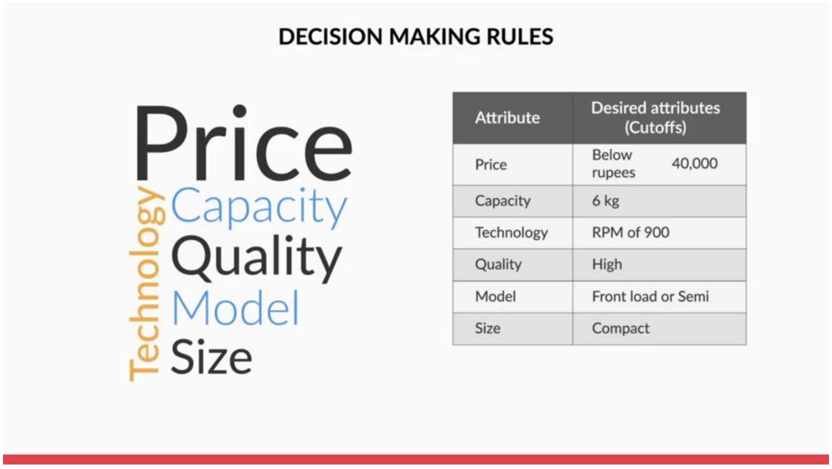


In the last video, you saw that the time and effort a consumer is going to spend on information search and evaluation of alternatives depends on their level of involvement. This level of involvement depends on:

- Perceived risk of purchase failure
- Frequency of purchase

Now, once the consumers have formed their evoked, inert and inept sets, they would next start comparing and evaluating the different alternatives in order to select one of them. The different decision rules that consumers generally tend to use are:

1. Compensatory decision rule
2. Non-compensatory decision rule, which can further be divided into Conjunctive, Disjunctive and Lexicographic decision rules
3. Affect referral decision rule



Let's understand each of these rules using the same example that we had used in the previous video- a washing machine. There, we saw that the attributes for deciding which washing machine brand to purchase could be:

- Price
- Capacity
- Technology
- Quality
- Model
- The Size of the machine

The consumers would also have some minimum cutoffs for each of the attributes and would then see how the different brands perform across each of them. For example, for this case, the cutoffs corresponding to each of the attributes can be summarised as a table of the desired values against each attribute.

Next, by comparing the specifications of the different options, the consumer would assign scores- positive or negative, depending on whether the option surpasses or falls short on their cutoff. Finally, they would arrive at their decision based on the decision rule. Let's now see how the consumers would compare the different options in the evoked set using the different decision rules.

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DECISION MAKING RULES

Compensatory decision rule

Consumers evaluate all product attributes and balance the pros and cons of each attribute

Attribute	Desired attributes (Cutoffs)	Samsung WW65M206 LOW/TL (Score)	Whirlpool Whitemagic Premier	LG P9037R3SM
Price	Below 35,000 rupees	31,000 rupees	17,000 rupees	16,000 rupees
Capacity	6 kg	6.5 kg	6.5 kg	8 kg
Technology	RPM of 900	RPM of 1000	RPM of 740	RPM of 1000
Quality	High	High	High	High
Model	Front load or Semi	Front load	Top load	Top load
Size	Compact	Compact	Medium	Slightly large

In compensatory decision rule, consumers evaluate all product attributes and balance the pros and cons of each attribute. That is, the negative scores get balanced with the positive scores. Now, based on the attributes, the corresponding scores for each of the options- on a scale of -10 to +10.

As per the compensatory decision rule, the score for each of the options can be calculated as:

- Samsung = 5 + 2 + 5 + 4 + 10 + 5 = 31
- Whirlpool = 10 + 2 - 3 + 4 - 3 - 1 = 9
- LG = 10 + 5 + 5 + 4 - 3 - 4 = 17

Hence, the consumer would purchase the Samsung washing machine in this case.

DECISION MAKING RULES

Non-compensatory decision rule

Consumers do not balance the pros and cons, they are treated separately

Conjunctive decision rule:

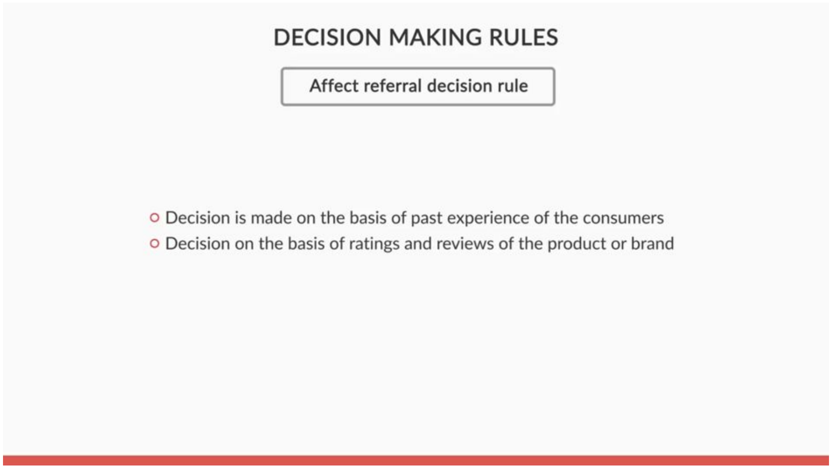
- Consumers establish minimum cutoff points for each attribute
- Brands that fall below cutoff for even one attribute are not considered

Attribute	Samsung WW65M206 LOW/TL (Score)	Whirlpool Whitemagic Premier	LG P9037R3SM
Price	5	10	10
Capacity	2	2	5
Technology	5	-3	5
Quality	4	4	4
Model	10	-3	-3
Size	5	-1	-4

Next, in a non-compensatory decision rule, consumers do not balance the pros and cons, they are treated separately. In the conjunctive decision rule, consumers establish minimum cutoff points for each attribute and brands/products that end up falling below the cutoff for even one attribute are not considered. For example, in the given case, Whirlpool and LG would be dropped out of the set as soon as they fail to fulfil the RPM or Model requirements. There would be no scores to compare.

In the disjunctive decision rule, on the other hand, consumers establish cutoff points only for the attributes that are important to him/her, unlike Conjunctive decision rule. For example, if the model and size are not that important to the consumer, but the RPM is, then whirlpool would be dropped from the consideration set but LG would still be an option.

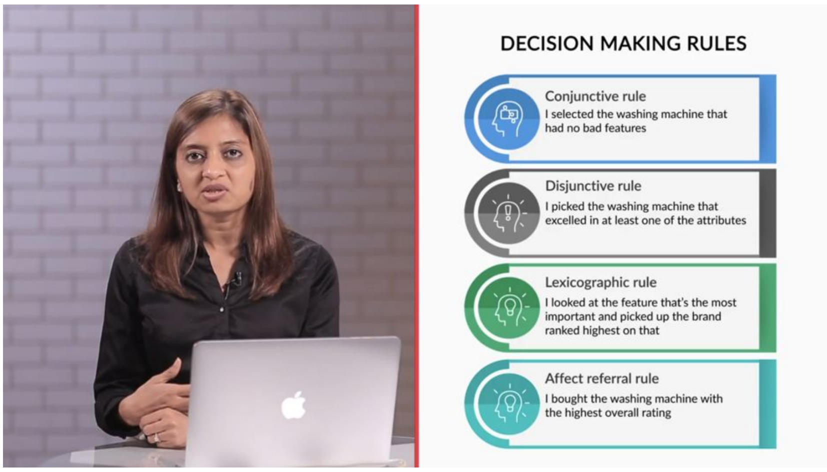
Finally, in the lexicographic decision rule, consumers rank the product attributes in the order of importance and then compare them.



All the decision making rules we discussed so far were quite heavy on the quantitative side. The next decision rule- Affect referral decision rule- is more of a qualitative measure. Here, the decision is made on the basis of past experience of the consumers- on the basis of ratings and reviews of the product/brand. For example, if the average rating of Samsung on Amazon was 3.5 and that of LG was 4 and the customer reviews also corroborated these ratings, then our consumer would have simply gone for the LG washing machine.

Please note that your consumer does not sit down with a pen and paper to assign scores. These decision rules are mental. So, for example

- if the consumer says - “I selected the washing machine that came out best when I balanced the good ratings against the bad ratings, it’s the compensatory rule at work.
- If they say - “I selected the washing machine that had no bad features, it’s the conjunctive rule in play.
- When the consumer says - “I picked the washing machine that excelled in at least one of the attributes, they are applying the disjunctive rule.



- When the customer says - "I looked at the feature that's the most important to me and picked up the brand that ranked the highest on that attribute, they are using the lexicographic rule.
- And finally, if they say that they bought the washing machine with the highest overall rating, they are relying on the Affect referral rule.

In this session, so far, we have treated the consumer mostly in isolation and we have assumed that every customer will follow a similar thinking pattern irrespective of their environment or individual personalities. But this is not at all practical. Our consumer does not go through the 6 stages of the decision making process in isolation. They interact with multiple stakeholders including the marketer.

We will next look at a few models that try to map out the key input and output areas in the decision making process.

You would think that the decision making funnel and hence, the possible action points for a marketer would end at purchase.

I mean you wanted the customer to choose you over the other alternatives, purchase your product and now he has gone ahead and done that. What is next?

Well, to take a stab at it, I would say the next step here would be to ensure that the customer chooses your product or brand every time he makes the next purchase!
Let’s hear more about it from our expert Sabia.
Loyalty clubs. As the name suggests, what are we really doing by forming these loyalty clubs and loyalty cards here? Yes, we are trying to secure some loyalty from a customer that you know what, we engage this customer for a longer term. How do we really do that? It needs to be a mutual benefit for the consumer and for the organization.

I need my consumers data. I need to capture their purchase behavior. I need to get a lot of insights on [4]what the consumer is doing with my product, is doing at my store.

So, this is the best way to capture data for everyone that is walking into my store or into my business.

- What do we need?
- Why would a customer do that?
- Why will they share the data with you is also important.

You need to add a benefit here. What is it?

- Some brands give a certain percentage of cashback.
- Some brands give certain value wise to the customer.

So, I'll call the examples from both the brands, MNS and Madame Tussauds. So, Madame Tussauds has an offering called the priority pass.

You pay a certain amount up front and you get a priority pass, which is your ticket valid for one year at various Merlin entertainment theme parks or attractions across the world. So, what did I do?

I actually secured that every time a consumer is traveling anywhere in the world, he knows he has a priority pass, will definitely go to a Merlin entertainment attraction or you know, a theme park that they want to go. The priority is going to be, or this is a priority pass that I have. So, this is where I should go. What it also used to do is you skipped the queue. So, you don't have to possibly stand in long queues before you take a ride or watch a show because you're a priority pass holder. You skip the queue and you keep it, it's like a fast forward for you.

Similarly, what we did at MNS clubs, so MNS club was, yes there was a point system which was giving a cash back that could be redeemed on your future purchase. What we also did is, yes, value is important to the customer, but what is it that little thing that will make them feel special. Why do they need to be a part of the MNS club? What we were offering was a priority preview at the sales, which was a big hit with the business. So yes, MNS sales was something that everybody waits for. So yes, you are the first few people that get invited in the first few hours or a day before, and you can the firsthand preview of the sale and you get the first chance to pick your pick.

And what we also did was like certain special discounts or certain cash backs, which were, you know, like very exaggerated forms of cash backs like 10 X or like 20 X, you know, just for loyalty members. So, it's like a 10% cash back or a 20% cash back. And what we're also doing is not giving them a discount up front, but giving them a cash back, which makes sure that they have that much money in the wallet that next time when they come, they can redeem those points. So, I'm securing the next purchase while I'm gratifying the consumer. I'm making them feel you're important to me and this is a value add that I'm giving you. And I'm also securing that customer's future purchase because for them to redeem, they need to come back to me. So, this was the whole idea, but I would still say like this is the way, this is the method, you know, the methodology of how do you make this happen.

The real importance of, you know, a loyalty club or a card program or anything that a business is running, I think it's very sensitive to capture the right data. What do you need? You need data and all your future strategies, be it marketing, product, pricing. Everything is based on how the consumer has been interacting and behaving with your brand. So, I'll again, like specifically talk about my experience at MNS. What we really did, we did not want a very long form. We did not want anything crazy where the customer doesn't want to fill it. I mean there was a point when we had a form attached to it where the customer had to fill it, but of course like that's a learning that that's not something that the customer wants to do.

So, let's keep it simple. Let's have the cell phone, the name, the gender and the pin code.

We needed the pin code because we were really trying to see where the customers is coming from. It's not just the city because we had various stores in a particular city. We wanted to know that how is the customer maneuvering? Is somebody coming to the CP store say from South Delhi or from North Delhi or from West Delhi. So, where is the maximum inflow of customers. So, argument's sake, let's say there are a lot of customers coming from West Delhi, so yeah, that's an opportunity right there for us to also have a store in West Delhi. So, its kind of solves multiple purposes. It solves the purpose of understanding what the customer is buying so that you can lay out your various future CRM campaigns based on that. But it is also giving you a bigger business idea. It is opening an opportunity for you to understand where the customer is coming from, what is the age group that the customer is.

You know, maybe I was thinking my product is 35 plus, but no my purchase data shows me that a lot of people that are below the age of 25 that are buying my product, you know. And it gives you kind of an opportunity to sell what can be the next best purchase for the consumer.

- What is it that I can probably do to increase the basket value?
- What is it that I can do to kind of increase the number of items they buy or the average bill value that they're spending with me?

So, these kinds of loyalty clubs or data capturing gives you an insight to all of these elements which are important for running a business. So, I'll tell you how we kind of used it at MNS. So, we created our certain segments that based on purchase data, so we understand that every day there was purchase data that is pushed to us.

We know who is what at store, what have they bought, how frequently have they been buying. So, we kind of create various segments. So, there was a group of high lawyers that would say come to us six times a year and there is an X value that is attached to that, that okay, this person is spending X amount in six visits collectively. There is this another one which is called just the loyal. They're loyal, they're probably coming four times a year and spending X value. And then there is a potential loyalist that I know this customer can be converted to a high loyal, is not there yet. Probably he needs to come six times a year to be a high loyal, but it's just coming five times right now. Needs to spend X amount of money to be a high loyal, but is just spending a little bit below that little X.

So, how do I convert them? So, these were the major segments we created and what were we really looking at?
We were looking at:

- acquisition, we were looking at
- retention, and we were also looking at lapsation.
- Lapsation was very important for us because we were adding more and more and more members every day. But there were also people that were dropping out.

So, lapsation we would call someone a lapsed customer. They haven't shopped for us say for about a year and a half or two years. So, somebody who was shopping with us six times a year is now not shopping with us at all in a year and in year and a half.

- How do we win them back?
- How do we understand what went wrong?
- Was it a value, was it a product failure?
- Was it another brand that they've chosen to be loyal to or is it just convenience or is it just, is it just not good enough brand recall, like what is it?

So, all these kind of gave us an idea of how to communicate to each customer.

We also then further went on and created various segments like okay, there is an active customer who was buying say women's wear and men's wear from me. But now what has happened is their purchase is showing that they are only buying women's wear.

- Why are they not buying men's wear anymore?
- Is there a problem with my product?
- Is that a pricing?
- Is there another brand which is preferable?
- So, what do we do?

Let's design a campaign trying to tell them, okay, you know what I'm calling you for a special suit fitting and you get like a 30% discount on a suit that you offer. Or I'm calling you to give you an X amount of points on a multipack shirt or I'm giving you, so like a little more gratification that what you would give to a loyal customer.

Push this kind of communication once or twice. Not too much communication. That's bad. That's bad, bad marketing. So, give them the right amount of content at the right time and monitor the behavior. If they can work back, then yes, your campaign works. That means it was a value, it was a value proposition that needed to be put forward for men's wear to win customers back.

So, we always used to have three to four campaigns running parallel, you know, I mean of course one targeting, one certain segment, but acquisition, retention and lapsation. Each one of them had different strategies.

If I want to retain someone, I probably need to keep telling them all this is a new product in this category. Okay, come here. Buying children's wear from me, here, this is a new set of rompers that we have. Or now we have nickel free buttons which are healthy for your child.

Now we have something which is probably, we've added another category which is accessory for kids, or this is like fresh feet socks. So, this is like extra warm thermal. So, I know that I need to retain this customer. This customer has come to me twice buying for their children, but I need to be the ultimate solution for their children's wear. So, that is how you look at retention. How do you also look at retention? It's that you kind of see that what can be the next buy for your customer? You know, so for example, we know that there is, this is just something that I'm quoting, that we know that there is a woman that has been buying consistently, buying from me say a size 10 and is now suddenly buying a size 14 or 15 and has started buying a little bit of baby wear.

So, we know that she's probably an expecting mother. So, I totally and definitely have an opportunity to sell her lots of kids wear, say one year from now. So, I know that this can be her next best purchase with me. Likewise, what can also happen is that I know that there is a customer that is buying a lot of dresses from me. She's buying workwear from me, she's buying dresses from me, what can I potentially sell her or she's a size 12. Perfect, that's the largest selling size here. There is a straight opportunity to sell shapewear to this woman. So, it's not just about giving points at the shape where product on their next buy, we would also make sure if this is a recurring behavior, this is something that we see in our data, we would also lay out our stores accordingly.

We would make sure that our shape wear section is probably very close to what an arm's length from the dress section because that can be the next product someone buys after the dress. So, this is the dress section. Probably have footwear on the left and have shapewear on the right. Of course, you have to maintain the decorum of the store and the whim of the store. But the data capturing is not just about SMS or email campaigns. It also tells you how do you lay down your store, what is the next product you should buy? What is it that the customer is missing? They have stopped coming to you. So, I think CRM all in all, and loyalty programs all in all are absolutely essential for any business and now we are seeing that with all the products that we are interacting with, there is each and every brand at whatever scale they are from startups to big established brands are absolutely, they know your data. They know you; they make you feel that yes, I know what you want.

So, I think that is very important. One, yes, it is important for the business to understand what their consumer is doing, what they want, data capturing, etc. But it's also important for us to make sure that we let our customer know, we know you, we understand what you want, we feel you what is it that is not right or right with this, we know how many points you have. We know where your travelled last. We know what you did, you know, when you were on vacation and this is the next vacation, we can offer you, etc., etc. The customer needs to be understood. And I think CRM and loyalty is like a mutually beneficial, absolutely like an atomic bomb kind of a strategy.