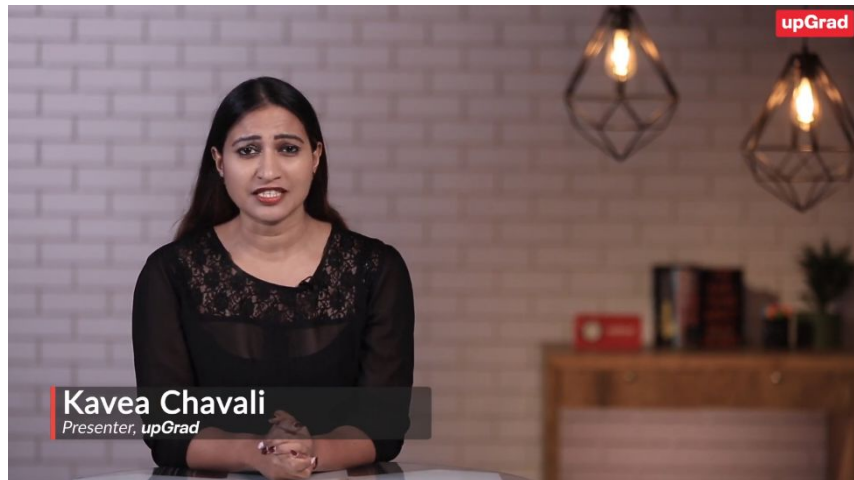
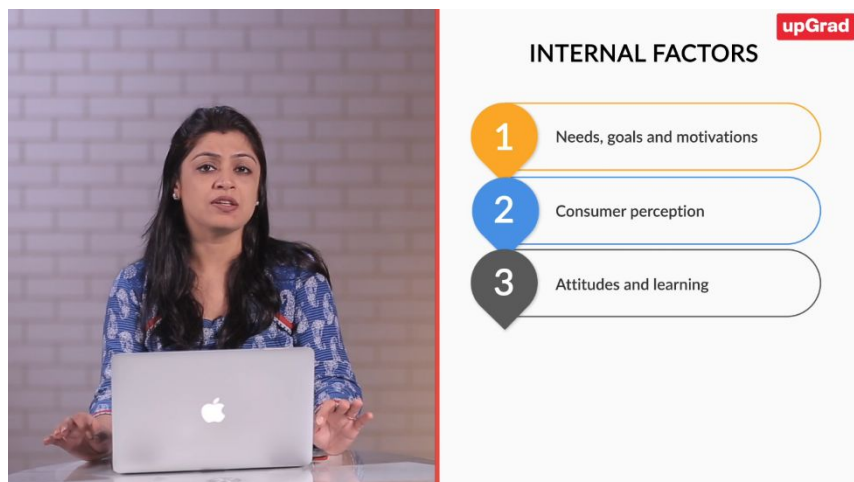


Transcription

Individual Determinants of Consumer Behavior



Welcome to this session on the individual determinants of consumer behavior. In the previous session, you learned about the six-step decision making process the consumers follow, but one question that remains is if we all follow a similar decision-making process, how can we end up making different decisions? I mean I love Coke, but my brother prefers Pepsi. Well, there has to be more to this, don't you think? Well, let's find out more from professor Chhavi.



As marketers, you would want to influence the consumers at each and every stage of the decision-making process. But be there, you're not the only ones doing so. There are multiple factors internal as well as external that impact and influence the decision-making process of a consumer. Let's now take a look at all of these factors one by one starting with the internal factors. These factors can be broken into the following three groups.

- The first one is the needs, goals and motivations.
- The second set of factors are to do with the consumers perception.
- And the third set is to do with the consumers' attitude and learning.



Let us now start with the first group of the internal factors that is the needs, the goals and the motivations of the consumer. Needs, as you already know, are the epicenter of marketing from products right up to positioning. These needs can be innate or basic or they can be acquired. Innate Needs as we saw earlier are the ones which are basic by nature and they're present in humans. These include the factors that are necessary to sustain physical life. For instance, the need for food, water, shelter. They would all form a part of this group.

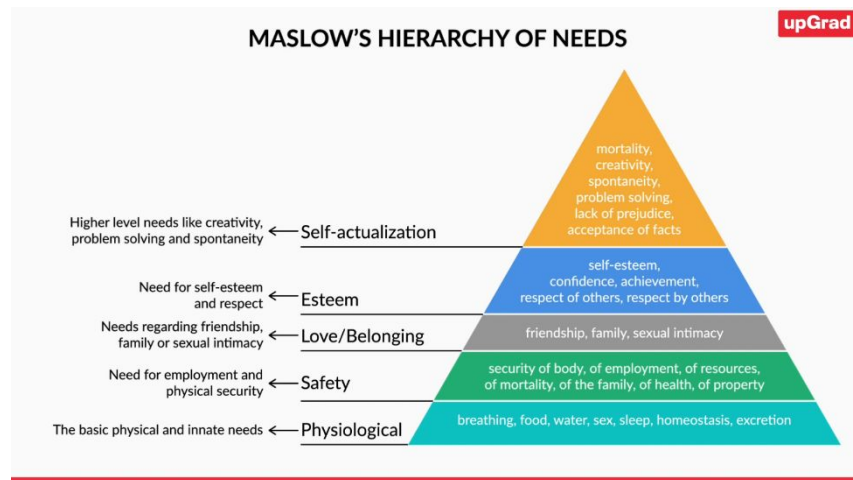
Acquire needs on the other hands are the ones which are developed after birth. For instance, the need for safety, love, self-esteem would all form a part of this group. These needs translate into wants and certain goals that the consumers adopt. You as a Marketer need to motivate the consumers to take action on these goals. For instance, the need may be to stay connected to your loved ones, which can translate into a goal for buying a cell phone or being connected through your friends on the social media.

CHANGING GOALS AND MOTIVATIONS

The diagram compares the needs and goals of mobile phone users 10 years ago versus now. On the left, 'Need then' shows two Nokia phones (Nokia 3600 and Nokia 7610 Supernova) with the tagline 'NOKIA Connecting People'. The goal was 'Staying connected to near and dear ones'. On the right, 'Need now' shows a modern smartphone with the tagline 'NEVER SETTLE' and the text 'Hey Siri, which is India's No.1 Premium Smartphone?'. The goal is 'Clicking good photos, viewing and sharing content and occasional phone calls'.

These goals would also change as the consumers change. For instance, while the need behind purchasing a mobile phone was to stay connected to the near and dear ones about 10 years back. Now it's all about clicking good pictures, viewing them, sharing content, and also about occasionally calling up friends.

Now an individual would have multiple needs at a given time and the number of needs would itself be quite large. How can a marketer focus on which sets of needs are really the important ones that need to be fulfilled? How do you prioritize which needs should you as a marketer focus on? One way of doing this could be by analyzing the consumer's needs using the Maslow's hierarchy of needs.

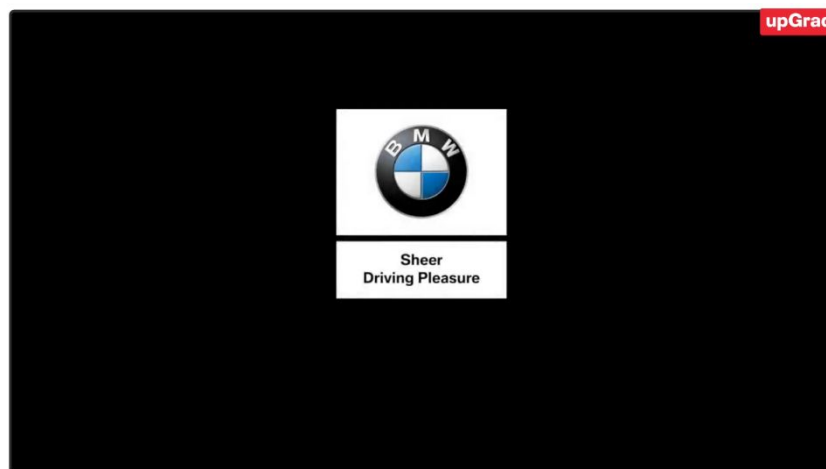


According to this pyramid, all human needs can be divided into the five levels, starting with the basic physiological needs at the very bottom, to the safety needs, moving on to the love or belongingness needs, next to the esteem needs, and finally, at the top of the very pyramid, the needs for self-actualization.

Let us take a look at each of these deep needs in detail now. Physiological needs are those basic physical needs. The innate ones. These are at the rock bottom, but these needs are very important to be fulfilled. Only once the physiological needs offer consumer fulfilled, he or she will turn to the higher order needs. Hence, at the very bot rock bottom, these needs are extremely important to fulfill.

After these comes the safety need. These could be the need for employment and for physical security. Once the safety needs have been fulfilled, next, the person would want to fulfill the needs regarding love or belongingness. These could be related to friendship, to the family or to sexual intimacy. Once all these physical basic needs have been fulfilled, only then the individual looks upon to satisfy the higher order needs for esteem. These could be the needs related to the achievement or respect in the various spheres of life that a consumer is into.

Finally, after the physical and emotional needs of a person have been fulfilled, next at the top of the pyramid come the self-actualization or higher-level needs, like the need for creativity, problem solving and spontaneity. But how is organizing all these needs in a hierarchy, in a pyramid, helping you as a marketer?



Basically, if you were looking at a consumer who has fulfilled his needs for belongingness, he would next be striving to fulfill his esteem needs. Hence, would be a prospective buyer for a brand like a luxury car, say a BMW or a Mercedes. You need to identify the level at which your consumer needs are at present and then to use that information to position your product or your service accordingly.



For instance, consider two toothpaste brands, Pepsodent on one hand and Close Up on the other. While Pepsodent focuses on the need for safety from germs, Close Up relays the message about confidence for intimacy. So, here Pepsodent is targeting needs from the second level of the pyramid, while close up is trying to address the third and fourth levels of the Maslow's hierarchy of needs.



Once you figure out the level of hierarchy, your target consumer needs, you can find out what will motivate them to purchase your product. If you were to talk in general terms, the two basic motivations behind every purchase are either the desire to gain or the aversion to lose. As a Marketer, you need to be clear about which of these two motivations you are going to appeal to.

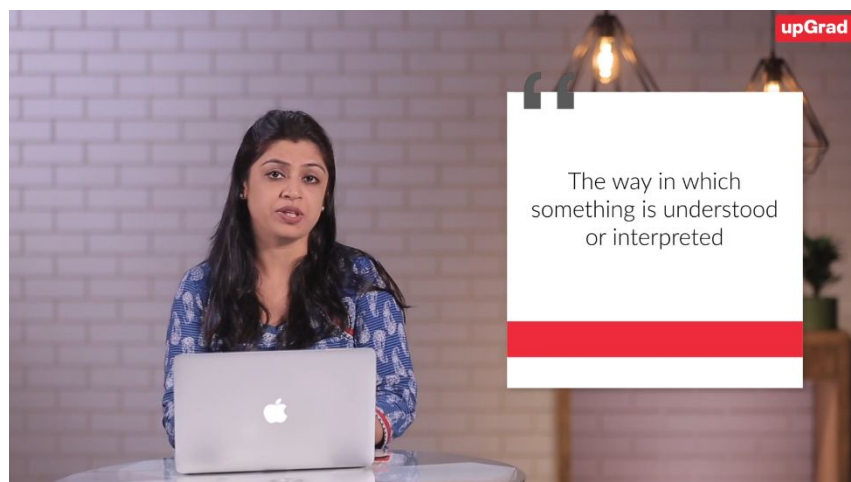
Taking the example of Pepsodent-Close Up once again, Pepsodent plays on the consumers aversion to lose whereas close up focuses on their desire to gain. So, you can take one of these motivations and couple it with their needs and the goals using Maslow's hierarchy of needs. Basically, as a Marketer, you're trying to influence the way consumers see your brand, perceive your brand in order to motivate them to choose it over the other alternatives.



Now that you're aware of the consumer's needs, goals and purchase motivation, you can now appreciate why people with similar needs might prefer one brand to be other due to a difference in their perception of the brands. We will learn more about consumer perception in the next segment.

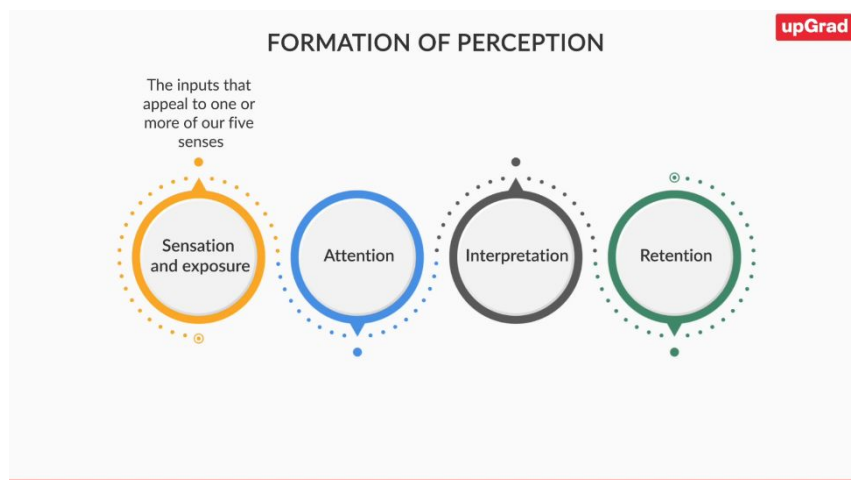


In the last segment, you learned how consumers' needs translate into goals and how you can motivate them to fulfill these goals with the help of the Maslow's hierarchy of needs. You also saw that what we are trying to do here is basically influence how consumers see a brand that has influenced their perception. But before we proceed, there is something that I need to ask you. What is the color of the dress? My friend keeps on saying that this is white and golden. I mean, come on. This is clearly blue and black, isn't it? But wait, isn't this also difference of perception? Let's find out more per professor Chavi.



The next set of internal factors are to do with the consumer's perception. Now what is perception? Simply put, Perception is defined as the way in which something is understood or interpreted. It is formed partially by the past experience of people and partially by what we currently experience.

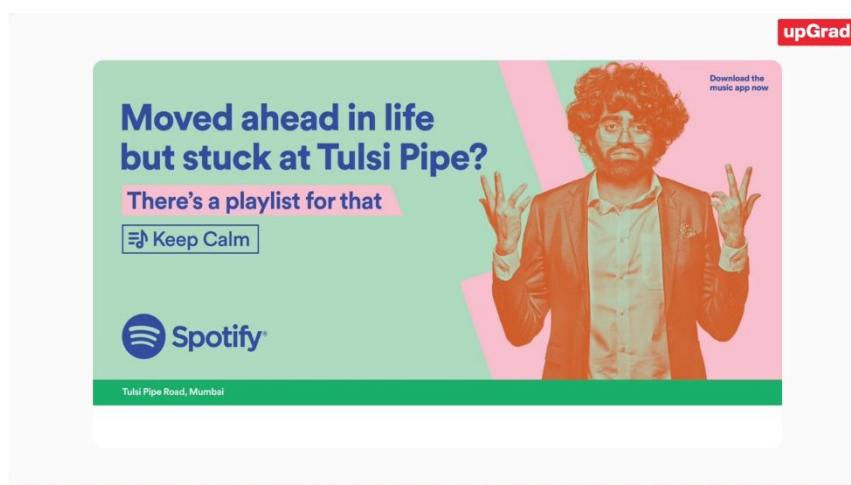
So, different people could have different perceptions about the same thing and this thing in our case could be a product, a service or the brand itself. In order to understand how this perception can be impacted, we would first need to see how these perceptions are actually created. Let's talk about the formation of perceptions.



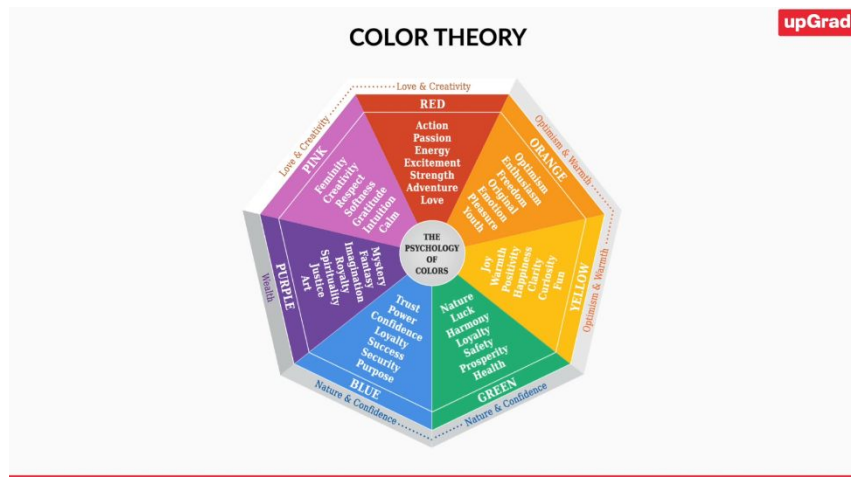
There are four different components of perception starting from the sensation and the exposure to the attention interpretation and finally the retention. Let us take a look at each of these factors closely starting with sensation.

We as consumers get exposed to a whole lot of sensations in our day to day life. Now, what are these sensations? These are basically those inputs that appeal to any one of our five senses. It could be to do with the touch or the smell, the taste, the sound, or the vision itself.

Consider the example of Ravi, a 26-year-old professional. He's gotten his master's in business administration from a prestigious B-school about two years back and he's currently working as an investment banker. Now at 12 in the night when he's on his way back home, he's just mindlessly staring at the billboards all across the flyover. Here, he's being exposed to stimulus that deal with his visual senses, but is this exposure benefiting the brands in any manner as long as Ravi is not even paying attention to any of them.



Well, say a particularly quirky advertisement for a Spotify catches his eyes. It's humorous, somewhat relatable to him, and hence it somehow manages to grab his attention. This is the second stage of the formation of perception. As a marketer, you need to pay attention to the stimulus that your products, your brands, even their promotions or the places that they're being sold at generate for the consumers. The goal here is to ensure that they move from the first stage of exposure to the second and not in a manner that's negative or unfavorable for your brand.



There are many researches and theories that focus on influencing one or more of the consumers senses in a favorable manner. For instance, the color theory focuses on vision, how different colors individually and together influence the first impression of a consumer about a product. The basis of this theory rests on fact that people already have subconscious perceptions about these colors, and if those perceptions do not resonate with the type of product that you are trying to sell, it can create a dissonance or dissatisfaction of sorts within the consumer, and this anxiety he or she might consciously not pay attention to.



For instance, the colors white and blue are associated with peace, health, trust, and hence, they are widely used in health care products. On the contrary a bright red is associated with passion and attention grabbing, hence, may not be a wise choice for products in the healthcare sector.

Selective Attention

Selective attention basically refers to the **innate tendency** of consumers to pay heed to information that **interests** them and **ignore** the stimulus or information that is irrelevant or **contrary** to their beliefs

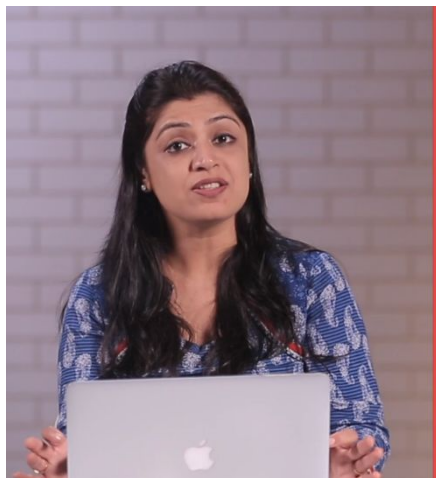


Now, as we just discussed, even if the stimulus is attention grabbing, the consumer might sometimes selectively avoid it. This is the aspect related to selective attention. Selective attention basically refers to that innate tendency of the consumers to pay heed to information that interests them, resonates with them, and on the other hand, to ignore the stimulus or that information that is irrelevant or contrary to their beliefs.

SELECTIVE ATTENTION



For instance, smokers rarely pay attention to the warnings placed on the packaging or even the infomercials shown before the movies. They've simply developed a blind spot for these visuals. As another example, a consumer who is looking to purchase a car is more than likely to pay more attention to any information regarding the same, be it cars on the road or billboard promoting new models.



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SELECTIVE INTERPRETATION


- 1 Depend on memories and past experience
- 2 Cues are coupled with expectations and intention
- 3 Information at hand is interpreted
- 4 External factors also come into play

Once a consumer is attentive towards this sensory input that he or she is being consciously exposed to by the marketer, the next step is the interpretation of that message. Just as consumers practice selective attention, the interpretation here is also extremely selective, which implies the consumers depend on their own memories and their own past experiences to look for cues or relevant information. These cues are then coupled with their expectations and intentions at the moment in order to interpret the information at hand.

Along with the individual's memory and expectations, external factors like the culture and the language also form a very important part at this stage.

CULTURAL INFLUENCE: INTERPRETATION

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Nike faced heat for their Air Max 270 shoes in the Islamic markets because the logo on these shoes resembled the word 'Allah' written in Arabic

For instance, Nike faced heat for their Air Max 270 shoes in the Islamic markets only because the logo on these shoes resembled the word Alla written in Arabic. Here, individual and cultural expectations and beliefs of the consumers played an extremely important role in interpreting the brand.


After interpretation, the next and final stage in the process of formation of perception is the element of retention. Having consumers look at your brand and think this sounds good will not be of much use to you unless they remember or retain that information, especially at the point when they make a purchase.




If you look closely at this entire process, you would see that this is more of a closed loop than a straight line. For instance, the moment I say Dhood Si Safedi, you would remember a tune a girl in white frock and the words washing powder Nirma. Now, why is it so? Initially as consumers, your senses were exposed to a song and an imagery along with the brand name. Over time, you have come to retain this information, and hence, it automatically grabs your attention now and you end up interpreting it the way marketer's intent.




KEY TAKEAWAYS

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Takeaway 1

Sensory stimulus being used by you is in tandem with what you are trying to sell
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Takeaway 2

Ensure that you are advertising and promoting on the right avenues
- 

Takeaway 3

Establish a clear positive connect between your message and their past experience
- 

Takeaway 4

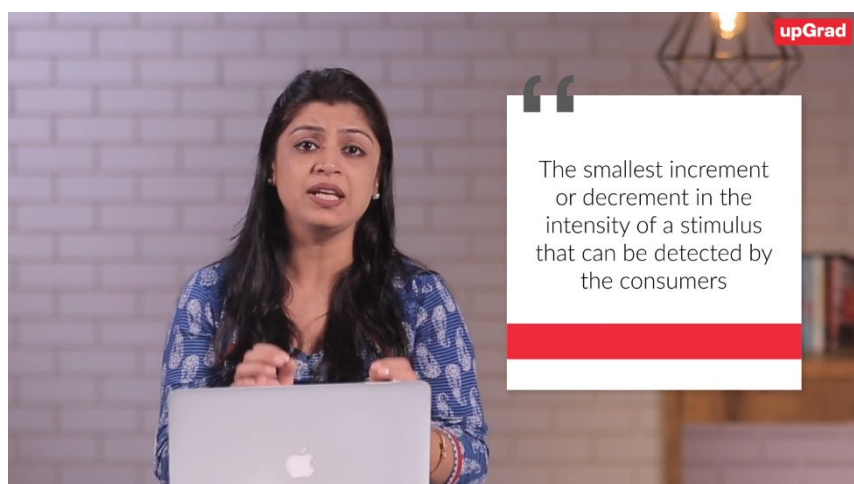
Ensure retention of your brand and message through repeated exposure

So, now that you're aware of the manner in which perceptions about your brand or the product itself are formed, what should your key takeaways as a marketer be?

- Firstly, you need to ensure that the sensory stimulus that is being used to grab the attention of your target consumers isn't random with what you are trying to sell. For instance, using rock or punk music in an advertisement for a fine dining restaurant would not be a good option.



- Next, you need to ensure that you are investing on advertisements and promotions in the avenues for your target consumers, unlikely to be exposed. For instance, Netflix might have really great content and catchy advertisements, but they would not be gaining more consumers if they broadcasted advertisements on let's say a news channel.
- Third, if you really want people to interpret your messages in a desirable manner, you need to be able to establish a clear connect between your message and their past experiences. Here, you also need to ensure that it does not get related to any negative or untoward experiences like the case of Nike air max 270 trainers.
- Next, you need to ensure retention of your brand and the brand's message. This can be best achieved through repeated exposure to the stimulus, but it can also lead to adaptation wherein the consumers are so used to your jingles or your advertisements that they no longer pay heed to it. It is critical to achieve this balance.

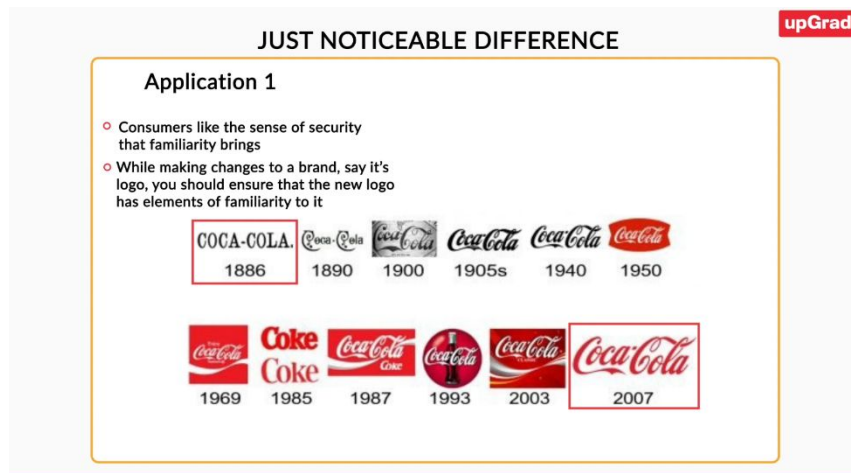


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The smallest increment or decrement in the intensity of a stimulus that can be detected by the consumers

In relation to this particular point, you can also make use of the phenomenon of, adjust noticeable difference aspect. This concept states that there is a threshold of change below which no changes are noticed or perceived by any consumers whatsoever. This is the smallest increment or decrement in the intensity of a stimulus that can be

detected by the consumers. J and D is something that you need to keep in mind while making changes to say your promotional messages or even your brand altogether. Ensuring that the changes in your stimulus are near the J and D for your consumers can help in reducing the fatigue that they are likely to experience due to repeated exposures at the same time, not being so different that it ends up creating so much of dissonance about the brand's identity.



Along with the perception, J and D has a lot of other applications for marketers. While we are at it, let's have a look at some of these. Even when they're looking for a change, consumers do like the sense of security that familiarity brings. So, while making changes to a brand, say its logo and show that the new elements of familiarity are very much a part of it.

For instance, consider the evolution of the logo of Coca Cola. It has changed slightly over the years, but if you look at the current logo and the very first, you would notice similarities among them as well. Also notice that the evolution has been gradual over the years and not something which happened instantaneously and too drastically different.



Another illustration of how a drastic change can backfire in also be seen from this very same brand the new Coke. This new product was definitely superior in taste and should have succeeded by all possible means, but consumers refuse to accept it as it tasted completely different from the classical Coke, the tastes that the consumers had grown to associate Coca-Cola with.

JUST NOTICEABLE DIFFERENCE

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Application 2

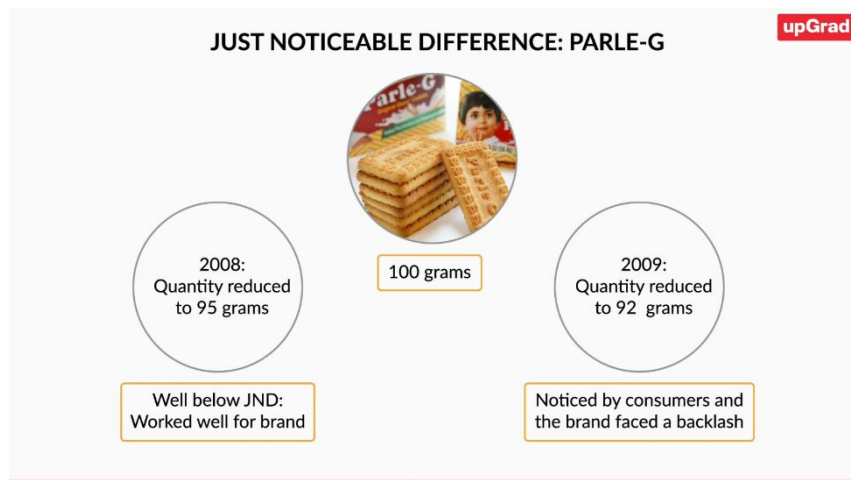
- Whenever firms want to make changes to the pricing or packaging of the products, they keep the concept of JND in mind
- According to Weber's law, the difference should be at least 8 to 10% in order for the consumers to notice it
- More product in the 18.7 grams SKU at the same price
 - $JND = 8\% \text{ of } 18.7$
 $= 1.5 \text{ grams}$

Application

Another application of the same arises in pricing and packaging decisions. Whenever firms want to make changes to the pricing or packaging of the products, they keep the concept of J and D in mind. According to Weber's law, the difference should be at least eight to 10% in order for the consumers to notice it.

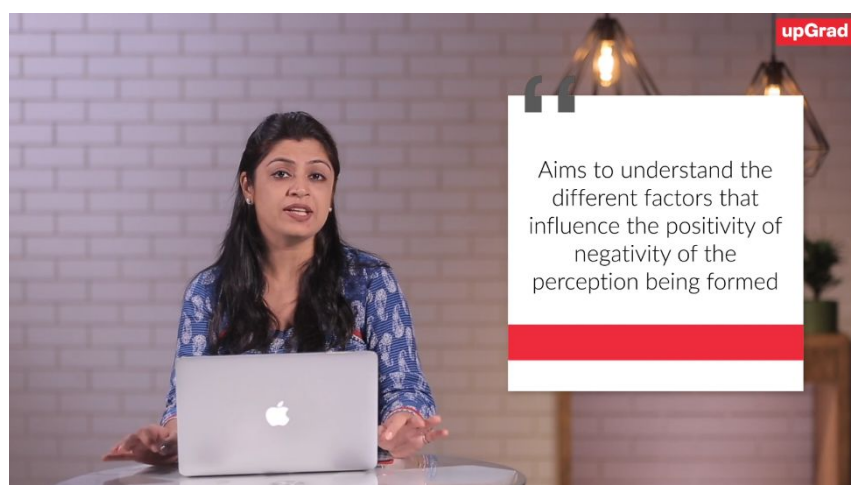


For instance, say Cadbury wants to introduce a new offer where in gems gives more product in the 18.7 grams SKU for the same price. Now, if they increase the product quantity by say 5% or 0.94 grams, the consumers would not even notice the additional quantity and are likely to feel duped. They would need to increase it by at least 1.5 grams. Similarly, if due to financial reasons, they decide to reduce the quantity in this particular SKU, they would need to ensure that it does not get reduced by more than 1.5 grams.

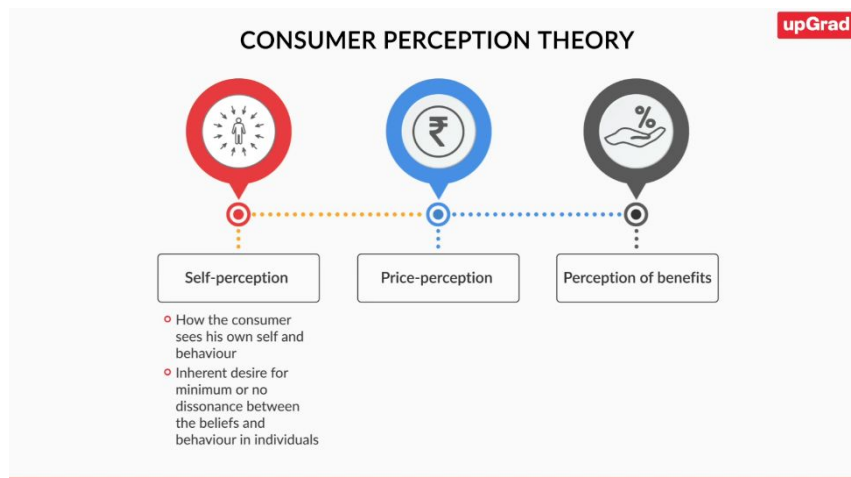


In example of a brand that adapted to this tactic was Parle G. This particular brand has been playing at an almost similar price point since the 90s. In lieu of rising costs, it had tried increasing its price point in 2007 but faced a loss of sales because its consumers were not willing to spend more. So, it again reduced the price point and started reducing the quantity from hundred grams. In 2008 it reduced the quantity to 95 grams, which was below the J and D and worked well for the brand. In 2009 it further reduced the quantity to 92 grams, which was noticed by the consumers and the brand faced a backlash. Consequently, it again increased the quantity back to 94 grams in 2010.

These illustrations from Cadbury and Parle G definitely demonstrate the importance of keeping Weber's law in mind. You will learn more about the packaging and pricing tactics used by marketers in the next module on marketing strategies.



So, let's go back to our discussion on consumer perception. Till now we have seen the different stages of perception and how it's formed. Let's now look at the consumer perception theory, which aims to understand the different factors that influence the positivity or negativity of the perception being formed at the consumers end.



The consumer perception theory essentially considers these three areas that influence a consumer's perception.

- The first one is the self-perception.
- The second one is the price perception.
- And the third one is the perception of benefits.

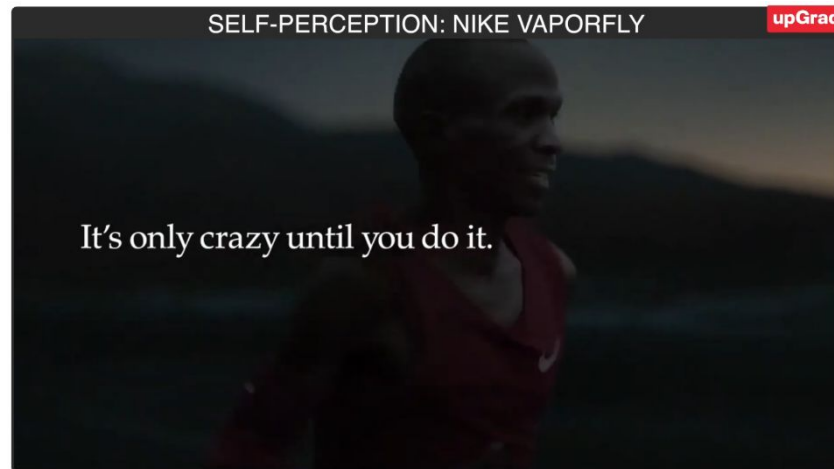
Let's look at each of these factors in detail and try and understand them. Starting with self-perception, self-perception as the name suggests, refers to how the consumer sees his own self and behavior. And as we had pointed out earlier, consumers tend to simply fill it out the information that is in contrast to their own set of beliefs and values. The reason behind such behavior is the inherent desire for minimum or no dissonance between the beliefs and the behavior in individuals.



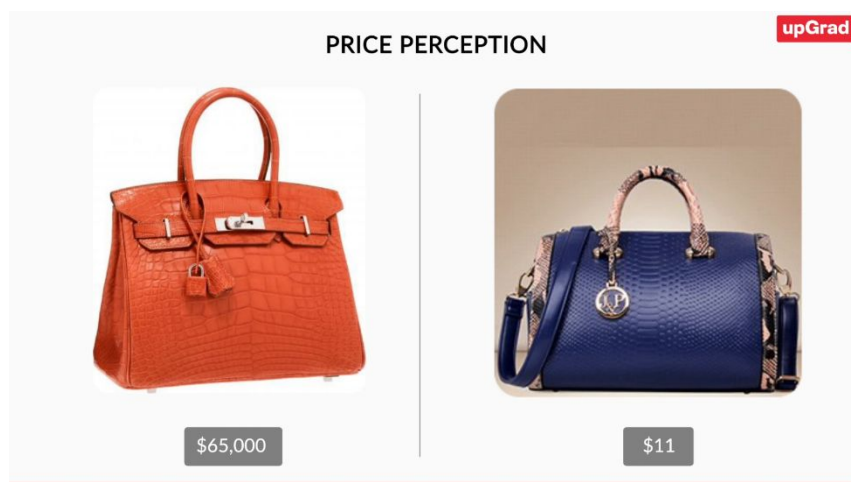
So, taking this theory further, a consumer's beliefs about himself would also influence his or her actions. Let's understand this with an illustration. Consider Rena a 32-year-old lady. She's a homemaker and comes from a socially elite family. She loves shopping and being up to date on the latest fashion trends. Now she young, rich fashion Nova would be the ideal consumer for the small alligator line of bags from the French luxury fashion brand Hermes.

But she also sees herself as an environmentally conscious person even if she doesn't do anything in that direction. So, if she ends up buying this particular bag which is made out of alligator skin or dissonance would clearly arise

between her self-belief and her behavior. And in order to avoid this dissonance, it is very much likely that she will decide not to purchase it. So, you would need to keep the self-perception of your consumers always in prime concentration while you are pitching your products to them.



As another example, let us take the case of a Nike vapor fly 4%. Eliud Kipchoge wore these and broke the record for a marathon. That is the USP, the selling point of these shoes. They enhance your performance by precisely 4%. Now, a normal person might purchase these and simply wear them to office, not because he expects them to increase his efficiency by 4% but he would want his ideal self to be associated with the brand and the image it projects.

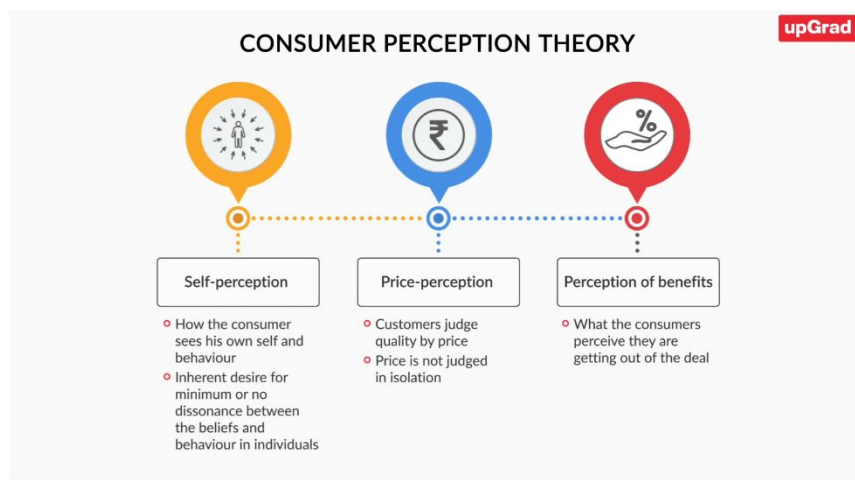


The next area of consumer perception that we'd really need to look at is this price related perception. Take a look at these two bags. What inferences can you make about their quality? Both of them look similar. Isn't it? Well, now let's have a look at their prices. The first bag would cost you somewhere around \$65,000 while the other one will cost you merely \$11. Now did your perception about the quality of these two bags change a bit. Well, this is one of the dimensions of price related perception. What your consumers believe about the price of your products is as important as the actual price itself.



Take the Gordrej's nature basket and the Big Bazaar for example. Even though the organic groceries sold in both the stores are priced absolutely similarly, consumers tend to believe that Nature's basket charges much more. This difference in perception is simply due to other product categories being carried by these two.

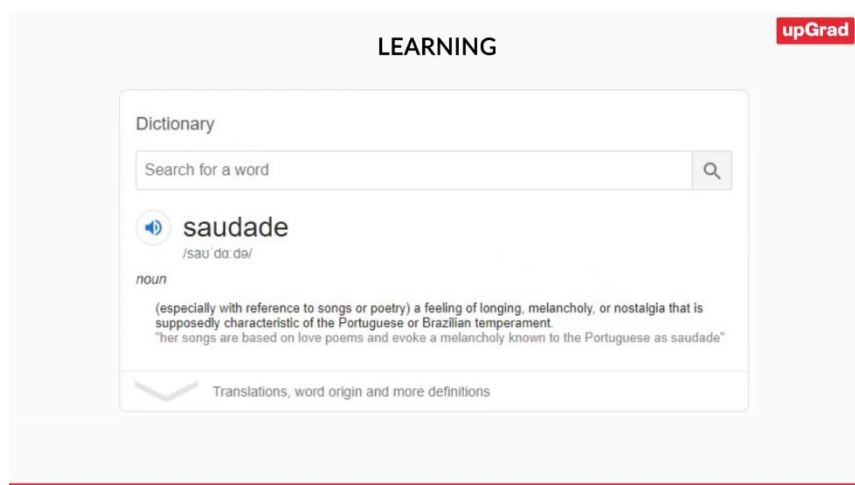
The imported products sold at nature's basket drive the perception that everything in the store is pretty much expensive, and on the other hand, a large collection of discounted product categories drives the perception of Big Bazaar as a value store.



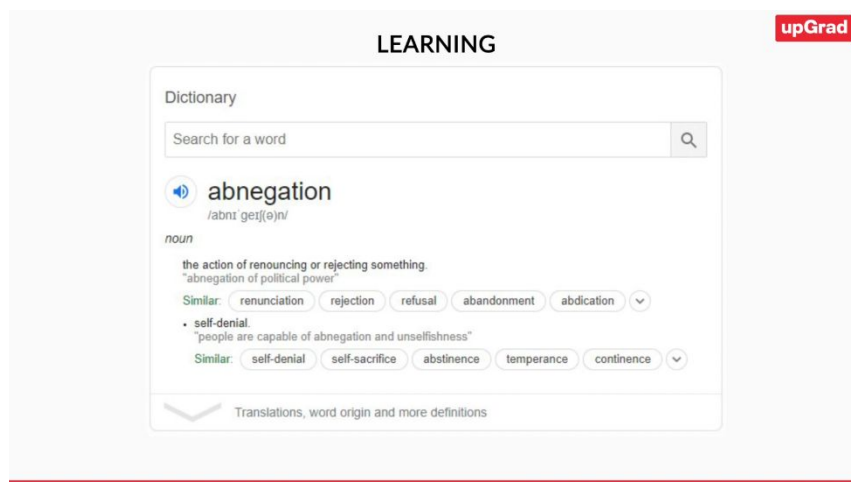
It is also important that you remember that consumers do not judge a price point in isolation. They deem it as fair or unfair as reasonable or overpriced based on the benefits or their perception of the benefits. This perception of the benefits, these perceived benefits are the third area of a consumer's perception that you're going to look at now.



Benefits are basically what the consumers perceive they're getting out of the deal. For instance, consumers are willing to pay more at a Starbucks outlet as compared to a CCD, simple reason being the perceived benefits from the firm are far more superior than that of the latter.

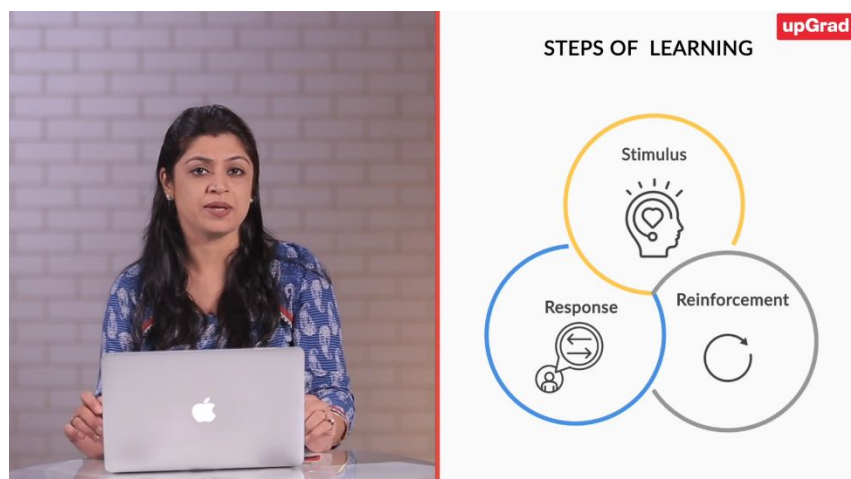


Okay, so let's do a little exercise here. I will give you four words along with their meanings and we will see how much of those you end up remembering. Okay, so here we go. The first word is Saudade, which is a feeling of longing, melancholy, or nostalgia that is supposedly characteristic of a Portuguese or Brazilian temperament.

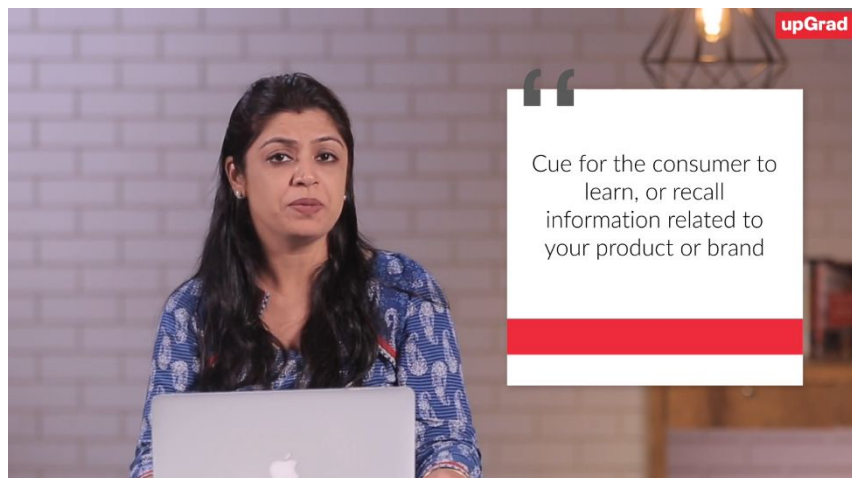


The next one is abnegation, which means the denial and rejection of a doctrine or belief. The third word on our list is debauch that is basically wild gathering involving excessive drinking. And finally, we have pulchritude, which means physical beauty, especially of a woman. Okay, so what word comes to your mind when I say poetry? Okay, what about Angelina Jolie?

Now here, pay attention to how these associations were formed with the words we just learned and the process you followed for learning them. In a similar manner do brands also use certain associations to establish a particular image in the minds of the consumers. Let's find out from professor Chhavi.



The learning process of a consumer, how a consumer learns about a brand forms a certain association about the brand and how these associations transform over the years is broadly a three-step process. It starts with the stimulus that the consumer receives, how they respond to that stimulus and how it gets reinforced over time. We will look briefly into each of these three steps and then we'll also take a look at the concepts of short-term memory and long-term memory of a consumer.



Let's start with the three basic steps to learning. Starting with the stimulus itself. Now, what is this stimulus? A stimulus is basically a cue for the consumer to learn or recall the information related to your product or your brand.



For instance, what comes to your mind when I say 'Chubti Jalti Garmi Ka Mausam Aa Gaya'? Before you could even decipher what was happening, your mind is probably completed the entire jingle saying, Aaya Mausam Thande Thande Dermi Cool Ka. That's the impact a repeated exposure to a particular stimulus can have on the minds of the consumers.

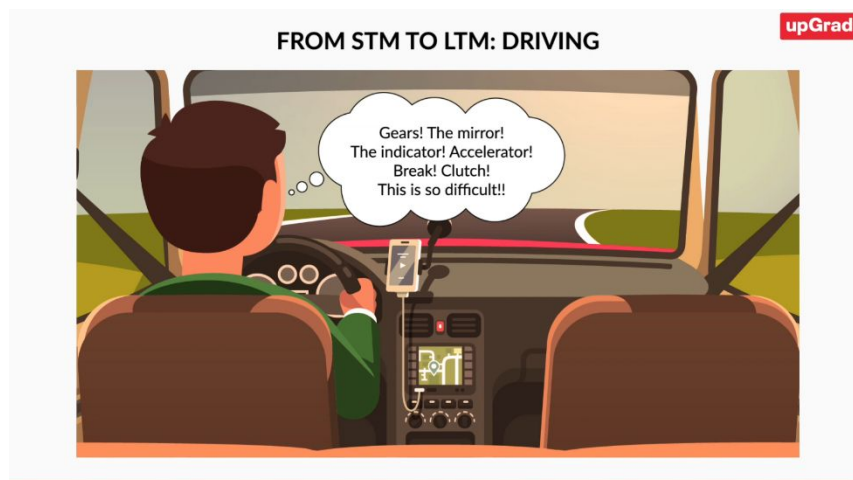
Now, the next step after a strong stimulus like this has been created is response to that stimulus. How do consumers react to that stimulus? For instance, in the case of Dermi Cool, once the consumers have been exposed to a stimulus, they may not really react immediately, but they're likely to recall your product when they are sweating it out in the summer, and this may even prompt them to purchase the powder every time they face prickly heat and that's their response.

Finally, reinforcement happens through a mix of both stimulus and response. In fact, whether this reinforcement is going to be positive or negative will depend more on the response itself. For instance, say someone purchased a bottle of Dermi Cool powder, but it ended up giving him rashes instead of any relief from the prickly heat because that particular bottle was past the expiration date or because the ingredients simply did not fit well with the

consumer. In either of these scenarios, the next time he hears this jingle, what he's going to remember will be a not so pleasant, unfavorable sensation of the rashes that led him to a negative reinforcement.

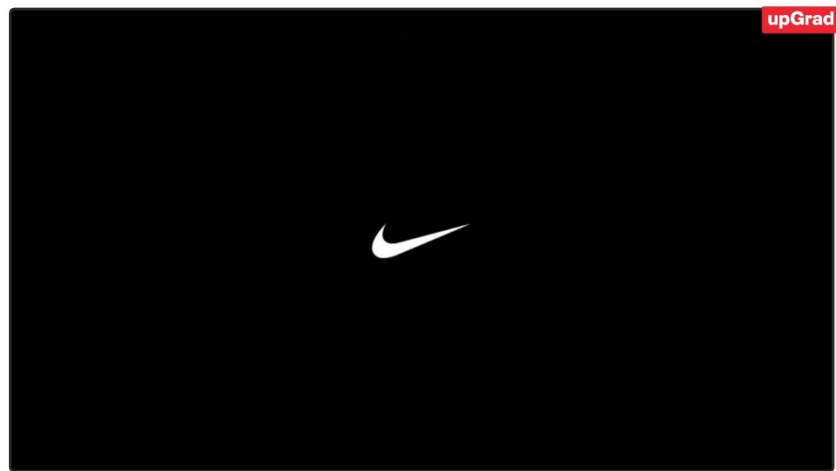
Now that we have covered the three steps of how a consumer develops an attitude towards a particular brand, let's take a look at how this information is stored and retrieved from their memory. But before I do that, can you tell me what does abnegation mean?

Now pay attention to how you retrieve this information. This information was somewhere stored in your short-term memory, which what moved to a long-term memory if you were exposed to these words repeatedly.



For instance, consider the case of driving the car. When you just begin learning, you need to consciously take care of the gears, the mirrors, the indicator, the ABC of driving, and it can be overwhelming for you to learn. But after some time and with some considerable practice, you would have noticed that your body seems to know what it was doing and suddenly you weren't even playing that close and attention to all the aspects. They just seem to be coming naturally to you.

This is an excellent example of how information moves from a short-term memory to our long-term memory. Whenever the brain is exposed to new information, new nodes get created and links get formed in the human brain. The stronger these links are, the stronger are the chances of people and your consumers remembering the information.



Now, what do you as a marketer need to pay attention to? You simply need to pay attention to how does your consumer associate with your brand? For instance, Nike managed to establish links with athletic abilities, fitness. Dove establish associations with pure, modern, natural beauty. In a similar manner, you need to see what your consumers associate your brand with for that is what is going to define the image of your brand.

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