**UNIT 1: INTRODUCTION**

**MEANING AND NATURE OF CONSUMER BEHAVIOR**

**Meaning**

The field of buyer behavior studies how individuals, groups and organizations buy products to satisfy their needs and desires. Buying behavior is the decision process and acts of people involved in buying and using products. Consumer behavior refers to the buying behavior of ultimate consumers, those people who purchase products for personal or household use. Consumer behavior is the sub-set of human behavior focusing on the consumption role.  Organizational buying behavior refers to buying by business organizations, social institutions and government.

According to **J. C. Mowen** *"consumer behavior is the study of the decision-making units and processes involved in acquiring, consuming and disposing of goods, services, experiences and ideas".*

According to **Leon G. Schiffman and Leslie L. Kanuk** *"the term consumer behavior refers to the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs".*

**David L. Loudon and Albert J. D. Bitta** views consumer behavior as *“the decision process and physical activity individual engage in when evaluating, acquiring, using, or disposing of goods and services”.*

It views consumption as a process of acquiring, consuming and disposing of products.

1. **Acquiring:** During the acquiring phase, it analyses the factors that influence the product choice of consumers. It includes the study of the process through which consumers become aware of their needs and products that can satisfy the needs, evaluation of the products in terms of end benefits and purchase actions.
2. **Consumption:**In the consumption phase, it analyses how consumers actually use a product and the experiences the consumers obtain from such use. It includes the study of the post-purchase satisfaction from the product's use.
3. **Disposition:**In the disposition phase, it studies what consumers do with the product once they have completed its use.

In view of the various definitions we understand that consumer behavior is the study of how individuals and groups make their decisions to use their resources in terms of time, money and effort. It includes the study of many facets of the product’s buying, using and disposing processes. The process focuses on the following elements of a purchase decision:

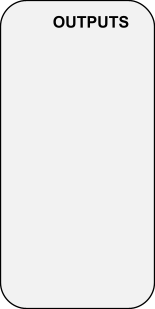
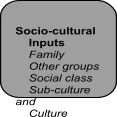
* ***Objects:*** *What they buy ?*
* ***Reasons:***  *Why they buy it ?*
* ***Occasions:*** *When they buy it ?*
* ***Place:*** *Where they buy it ?*
* ***Frequency:*** *How often they buy it ?*
* ***Use:*** *How they use it ?*
* ***Frequency of use:*** *How often they use it ?*
* ***Disposal method:*** *What they do to the product after the use?*

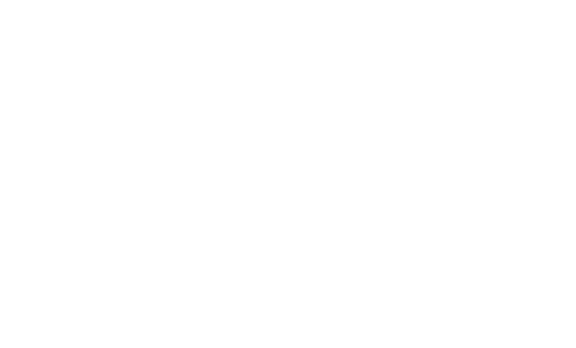
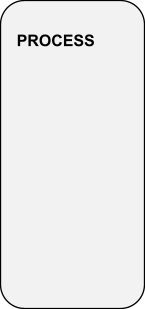
**Input-output Model of Consumer behavior**

Consumer behavior can also be perceived as an input-output system. 

**Inputs:** In the system, there are two types of inputs: *the marketing inputs and socio-cultural inputs.* The marketing inputs to consumer buying process constitute of the marketing mix which includes product, price, promotion and distribution. Consumers' perception of the marketing efforts determines the impact of the marketing inputs on their buying behavior. The socio-cultural environment in which the consumer lives also provide inputs in the form of family and other group's pressure, social-class behavior norms and sub-cultural and cultural influences.

**Process:** The processes component of the system is concerned with how consumers make purchase decisions. The process part includes the buying decision stages, such as need-problem identification, search for information and evaluation of alternatives.

**Outputs:** The output component of the system includes the purchase decision and the post-purchase evaluation normally visible in high-involvement purchases. Through post-purchase evaluations, consumers arrive at a stage of satisfaction or dissatisfaction with the purchase decision. This experience is stored in the long-term memory of the consumer to be used in future evaluations. If the consumer is dissatisfied with his current purchase he or she is likely to discard the product through the process of disposition.

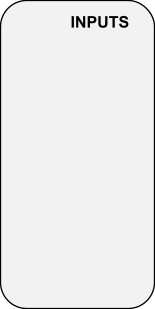


**INPUT-OUTPUT MODEL OF CONSUMER BEHAVIOR**



**Nature of Consumer Behavior**

The following nature of consumer behavior becomes evident in light of its meaning and scope:

1. **Subset of Human Behavior:** Consumer behavior is a subset of the larger human behavior. The factors that influence individuals in their daily lives also influence their purchase activities. Therefore, the field studies human beings in their role of purchasing and using products and services.
2. **Consumer Behavior is a Process:** Consumer behavior is an ongoing process that starts from the need (problem) identification stage through information search, evaluation, purchase, post-purchase behavior to the final disposition of the product after its use.
3. **Several Factors Influence Consumer Behavior:** The consumer’s buying and consuming process is influenced by several demographic, psychological, socio-cultural, and situational factors. Thus, consumer behavior analysis basically tries to understand the influence of these factors in a consumer’s purchase decision process.
4. **Many People’s Involvement:** Beside an individual consumer several people are involved in a consumer’s purchase decision process. They play different roles as initiator, influencer, users, and decider and influence a consumer’s buying decisions.
5. **Applied Discipline:** Consumer behavior is an applied discipline. It seeks to implement the knowledge and understanding of the purchase decision process and influences in order to design marketing programs and solve specific problems in marketing.
6. **Multidisciplinary:** The field of consumer behavior analysis is based on several other disciplines such as economics, psychology, sociology, socio-psychology, and cultural anthropology.

**Importance of Consumer Behavior**

There are several reasons for studying and understanding consumer behavior.

1. **Significance in Daily Lives:** Most developed and developing societies are known as consumption societies. In such societies individuals spend more time in consumption than in other activities. A large part of an individual’s time is spent on thinking about products and services, talking to friends about them, paying attention to advertisements, visiting stores and purchasing them. Knowledge of consumer behavior enhances individuals’ understanding of the forces that influence purchase and consumption of products and services.
2. **Public Policy Decisions:** Governments often design and implement regulatory policy on product quality, pricing, advertising, and labels on the basis of consumers’ actions and reactions. The consumer movement has gained much from the understanding of consumer behavior in order to protest, file law suits, and force governments to take actions in the interests of consumers.
3. **Business Decisions:** The major role of consumer behavior lies in the area of business decisions. The study and understanding of consumer behavior has given business organizations unprecedented power to mold and modify consumers’ thinking and behavior related process.
4. **Social Marketing:** Non-profit organizations have been very successful in using the knowledge of consumer behavior in launching social marketing programs targeted at anti-smoking, environment protection, literacy and many other social issues.

**Application of Consumer Behavior Knowledge in Marketing**

Consumer behavior helps a firm in efficient use of marketing resources, location of new marketing opportunities, selection of market segments, product positioning, market research, and improvement of marketing strategy.

1. **Efficient use of marketing resources:** The main objective of understanding consumer behavior is to develop efficient use of marketing resources. The goal of marketing is to understand, meet and satisfy target customers' needs and wants. It is important for the marketing executives to find answers to such questions such as why consumers buy a product and how they respond to marketing inputs such as price, quality, service, availability, styles, images etc. Consumer behavior analysis helps the marketing executive to find answers to these important questions.
2. **Location of new marketing opportunities:** The study of consumer behavior helps the business organizations to locate consuming groups with unmet and unsatisfied needs and desires.  An organization can effectively and profitably meet new consumer needs arising in the market due to a change in per capita income, geographic, social, and psychological mobility of people and cross cultural exchanges.
3. **Selection of market segments:**Consumer behavior analysis helps to identify and categorize the need and desire clusters in a market in terms of geographic, demographic, psychographic and behavioral variables thus giving an organization well demarcated market segments. The organization can select the market segments based on their size, growth and profit factors.
4. **Product positioning:**Product positioning is the process of presenting the product to consumers in such a manner that they would perceive meaningful differences between a brand and competing brands. The differentiated brand has higher competitive advantage because it is recognized by consumers as different from other brands. Consumer behavior helps an organization to study how consumers perceive different brands of products sold in the market. Once consumers' images of the brands are studied and profiled, the organization can select an appropriate position for its brand.
5. **Market research:**Market research analyzes consumer and markets and provides information feed-back to the marketing decision makers. Market research is also used for predicting the behavior of consumers. Market research cannot be conducted without the knowledge of consumer behavior principles.
6. **Improving the marketing strategy:** Knowledge of consumer behavior places a firm in a strong position in a competitive market. It gives valuable information feedback to the firm on the changes in consumer needs and preferences and their buying power. This information can be effectively utilized by the firm to design appropriate marketing strategy to deal effectively with the changes.

**CONSUMER RESEARCH**

**Meaning**

***Consumer research is the systematic design, collection, analysis, and reporting of data and findings relevant to product acquisition, consumption, and disposition behavior of consumers. It is part of the larger area of marketing research. It focuses on understanding consumer needs and preferences, and predicting how consumers would react to the marketing mix.***

**Characteristics of Consumer Research**

1. **Systematic Research:** Consumer research is a systematic research. Systematic research calls for careful planning through all stages of the research process - starting with a clear and concise statement of the problem to be researched, selection of the appropriate methods of collecting information, selection of the right tools for analysis, and ending with an adequate and standardized form of reporting.
2. **Objective Research:** Objectivity in research is achieved through the use and application of scientific methods in the research process, particularly in the stage of gathering and analysis of information. Selection of sample, preparation of data gathering instruments, administration of questionnaires, interviews, editing, coding etc. are scientifically thought out and implemented in order to maintain the highest level of objectivity in research.
3. **Applied Research:** Research can be either pure or applied. Pure research, often known as fundamental or basic research seeks to extend the boundaries of knowledge in a given area. Applied research, also known as decisional research, attempts to use existing knowledge to solve a given problem or a set of problems. Consumer research is conducted for identification and solution of any problem in the field of consumer behavior.

**Importance of Consumer Research**

Consumer research is a direct result of the adoption of the marketing concept by organizations. Marketing concept calls for a more accurate understanding of the buyers' needs and preferences and delivery of the most want-satisfying goods and services to the present and potential buyers. Competitive environment of the market has forced most business organizations to give up the "rule of thumb" and " trial and error" approaches to doing business and encouraged them to adopt research for a better understanding of buyers. Marketing management involves four major phases in which marketing research provides valuable information inputs to the decision-maker.

**Phase 1: Identification of Opportunity- “what can we do in the market?”**

The first step in the marketing management process is to identify new opportunities arising in the marketplace. The opportunities may arise in any of the following areas:

* Introducing a new product
* Developing an improved product
* Repositioning a product
* Changing the package
* Introducing sales promotional campaign
* Revising the advertising campaign

Opportunities can be identified in the marketplace through a study of the level of consumers' satisfaction (or dissatisfaction) with the current brands. Market segmentation studies and need-gap analysis help the marketing firm to find new unsatisfied need clusters in the market. Market positioning and repositioning research identify the brand image of consumers. It helps the marketing firm to capitalize from opportunities of introducing the product with a new or improved image in the market. Advertising effectiveness research provides valuable information input for redesigning the advertising campaign.

**Phase 2: Marketing Planning – “how can we do it?”**

Once the marketing opportunity is identified, the marketing management has to formulate a marketing plan to capitalize on the opportunity. The information need of this phase is very wide, such as trend of demand, competitive structure, sales estimates etc. Consumer research provides valuable tools such as product tests, name/package tests, advertising pre-tests for effective marketing planning.

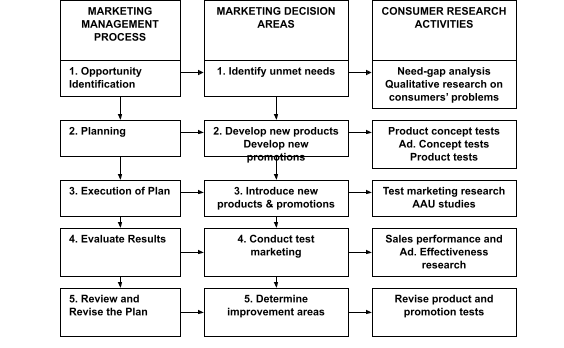
**Phase 3: Execution - "how to put the plan into action?"**

During the execution phase, marketing management needs information feedback on the performance of the implemented marketing strategies. In this phase, consumer research moves into a monitoring and measuring role. The research is concentrated on finding answers to the following questions:

* Is the product achieving the desired level of distribution?
* Is the advertisement achieving desired level of exposure to the target audience?
* Is the advertising communicating the intended message to the target audience?
* Is the promotion mix achieving the desired product trial rates?
* Are the potential buyers developing favorable attitude toward the product?
* Do the potential buyers show positive purchase intentions?
* What proportion of buyers have purchased and re-purchased the product?
* What are the levels of satisfaction (or dissatisfaction) with the product?

Consumer research provides answers to all these important questions.

**MARKETING MANAGEMENT PROCESS AND CONSUMER RESEARCH**



**Phase 4: Evaluation - "how are the results compared with plan targets?"**

This is an analytical phase in which the marketing management makes a critical evaluation of the achievements of the implemented strategies. During evaluation phase, the management will require a variety of information on the following aspects:

* Sales
* Market share
* Marketing costs
* Profit contribution per product and market

In this stage, the research will require more deskwork involving analysis of sales reports than field surveys.

**Consumer Research Process**

Scientific approach to research has influenced the development of marketing research and ensured high standards in the research process and its findings. For reliable results it is highly essential that the research be objective and systematic. Marketing research undergoes through the following five stage process which includes several activities related to planning, implementing, monitoring, managing, and bringing the end product of the research in the form of a report:

**FIG: THE CONSUMER RESEARCH PROCESS**



**1. Identification of the Problem:** Identification of the problem is the first step towards finding a solution. The first sign of a problem is usually a departure from normal function such as failures in attaining targets and objectives. For instance, if the organization achieved only 6 percent penetration of the market instead of the targeted 12 percent, then a problem exists in the organization's sales.  This difference in target and actual achievement indicates toward a symptom that something inside or outside the organization has affected the attainment of the sales target. Here the organization needs to investigate the reason for the low acceptance of its product by the target consumers. Thus, a symptom is a condition that indicates the existence of a problem. Symptoms occupy an important place in the research process as they signal towards the existence of the problem(s) and guide the researcher to search for the underlying problems.

**2. Formulation of the Research Objectives:** This stage of research involves refining the problem and describing the relevant situation and environment of the problem. Here, the researcher is interested to know:

1. *What objective(s) is desired in solving the problem?*
2. *What constraints and variables determine whether the objective(s) will be met?*
3. *How do the variables relate to the desired objective(s)?*

There should be a full understanding between the marketing manager and the researcher as to the precise objectives of the research. This stage involves a joint exercise between the marketing manager and the researcher in order to finalize the objectives of the research. Statement of the objectives of the research should be specific and precise. For example, if the marketing manager says: *"I need to know how many consumers were exposed to the last advertisement campaign was?”* The statement of the objective could be: *"To determine the level of awareness of the advertisement campaign among the target consumers".*

In this example it is necessary to clarify the term *"awareness".* The marketing manager and the researcher should be clear whether the awareness means the campaign reached the target audience; or informed the audience of the content of the advertisement; or it means the degree to which the campaign persuaded the audience on the merits of the product.

**3. Designing the Research Plan**

This stage requires the researcher to determine the research plan. This is the most crucial stage in the research process. Therefore, the researcher needs to undergo maximum consultation in order to arrive at a foolproof research plan. In this stage, the researcher first needs to identify the availability of secondary data in the marketing information system and evaluate its relevancy and adequacy to solve the problem at hand. If the data in the system is inadequate or irrelevant, he/she should plan for collection of additional data. This stage requires the researcher to formulate the research design for the research project. Here, the researcher has to determine answers to the following issues:

1. **Whether to follow exploratory or conclusive research design?** The choice of research design depends on the nature and purpose of the research. If the research is aimed at understanding the nature of a problem, an informal exploratory research design could be sufficient. If the research is aimed at finding solution to a problem, a more comprehensive conclusive research design may be adopted.

1. **Who should be interviewed and how?** Once the research problem has been identified and the objectives of research established, the research process requires the identification of information needs and the sources of obtaining the required information. This step requires the involvement of the marketing manager to clearly define the nature and type of information required to solve the problem. Once the information need is clearly defined, the researcher has to identify various sources of information. Although the sources of information in consumer research are the consumers, but the researcher has to identify the target group precisely

1. **Whether to use large-scale or small-scale survey?**The research plan has to define the number of respondents to be included in the survey. The answer to this issue has to be determined according to the nature and purpose of the research. If the research project is designed to generate a consumer profile for a brand it requires a large-scale survey, but if the project is aimed at testing the product concept among the consumers. it may require a limited-scale survey on focused potential consumers.
2. **How to select the sample?** Most marketing research projects are based on samples in order to draw conclusions about the population. This stage requires the researcher to determine the size of the sample and the sampling methods. Consumer research projects are based on seeking opinions of a few dozen people to few thousand people. The size of sample is influenced by the nature of the project, the accuracy required in information, and the budget and time available for research. Samples are selected in such a manner that they represent most of the characteristics of the population.
3. **How to prepare the data-gathering instrument?** Data collection is achieved mainly through communication and observations. If the communication medium is followed, the researcher needs to design questionnaires and interview guidelines. The type of questionnaire and interview schedules also varies in terms of self-administered survey, interviewer-administered survey, and telephone surveys. If the data is to be gathered by means of observation, the researcher has to prepare observation-checklist, cameras, recorders etc.

**4. Collection and Analysis of Data**

Once the data collection instruments are designed, the researcher has to implement the data collection in the field situation. This stage requires the involvement of several people as interviewers, supervisors, field officers etc. It requires careful monitoring, supervision and management of the people involved in the data collection process.  Once the researcher receives the questionnaires containing the information received from the target respondents, the researcher has to process the raw data. The processing involves editing the questionnaires, coding, entering into the computer, and tabulating the data for analysis. The researcher has to use different statistical tools to receive statistical characteristics of the frequency tables. The data are analyzed on the basis of their characteristics from which the researcher can draw inferences.

**5. Reporting the Findings**

The end product of a marketing research project is the research report. The report contains detailed descriptions of all the activities undertaken in course of the research including the purpose of the research, research methodology followed, and the major findings of the research. Although the style of reporting varies according to the nature of the research and the requirements of the client, marketing research report should contain three parts: a brief executive summary, major findings, and tabulations.

**CONSUMER MARKET SEGMENTATION**

A market consists of buyers who differ in terms of their needs, buying power, buying motives, buying attitudes and locations.  Market segmentation recognizes this reality and divides the total market into distinct group of buyers having different needs and characteristics. In modern marketing there are three basic strategies popularly known as STP,

S= Segmentation

T = Targeting

P = Positioning

Meaning of STP

* **Market Segmentation:** Market segmentation is ***a process of dividing the total market for a good or service into several smaller groups, such that the members of each group are similar with respect to the factors that influence demand".***

* **Targeting:** ***Targeting involves evaluating, analyzing, and selecting the market segments for the firm’s operations.*** Segments are evaluated on the three basic criteria: segment size and growth, segment structural attractiveness (long-term profitability), and organizational objectives and resources. Segment analysis involves a careful and thorough analysis of the market segments that look attractive from the points of view of size, growth and long-run profit potentials. Finally, the firm has to decide on the number of market segments to enter and serve.

* **Product Positioning: *Product positioning refers to the strategic decisions and actions intended to create and maintain the organization's product concept in consumers' mind****.* An organization attempts to place the product in the market in such a manner that it seems to be different from competing brands. Product differentiation can be created in terms of product (features, quality, style, and design), services, personnel and image. The organization may select some of the various differentiation factors on which it has competitive advantages and establishes a product image based on those factors.

**Importance of STP Strategies**

STP is a customer oriented philosophy that seeks to identify need and want clusters in the market and develop marketing mix and program to satisfy those needs and wants. It is the basic strategy for the implementation of the marketing concept. The marketing organization gains advantages in the market place through identification of the profitable markets, market specialization, and effective use of marketing resources and efficient monitoring of the market.

1. **Identification of profitable markets:** When the total market is divided into smaller micro markets the organization can accurately evaluate the size, growth and profit potential of the market segments.  The organization can evaluate the competitive forces, such as the nature and extent of competition, and select to operate in the most profitable segment or segments.
2. **Market specialization:** Market specialization is only possible through STP strategy.It helps the organization to develop specialization in the micro markets. It leads the organization to the offer appropriate product varieties, set right prices, develop effective promotion programs and select the efficient distribution channels.
3. **Effective use of marketing resources:** Through STP strategy the organization can use its marketing resources to the most promising markets. The organization can correctly evaluate the sales, costs and profits of various segments. This helps the organization to correctly identify the type of marketing effort needed by various market segments. The organization can withdraw from unprofitable segments and use its resources to the profitable segments. This results in a better allocation of marketing resources.
4. **Monitoring changes in the market place:** STP helps the organization to efficiently monitor the changes taking place in the market place. The market place is not only   dynamic in terms of buyer taste and preferences but also in terms of competition. When an organization operates in micro markets it can efficiently monitor such changes, take swift corrective actions and adapt its marketing mix to the changed situation.

**Segmentation Bases or Variables for the Consumer Market**

Consumer markets are segmented on the bases of four major variables - geographic, demographic, psychographic, and behavioral.

**1. Geographic Variables:** Geographic segmentation is the most primary form of market segmentation. Market area, topography and climate, and population density are commonly used segmentation variables for a consumer market.

**2. Demographic Variables**

Demographic variables commonly used for segmentation of a consumer market are age, gender, income and social class, family size and family life cycle. Occupation, education, ethnicity and religion are also used in some cases.

**2. Psychographic Variables**

Psychographic segmentation uses the individual psychological factors, such as buying motive, personality and life-style to divide the consumer market. Psychographic segmentation is more difficult to achieve than demographic segmentation. Measurement of motivation, personality and life-style requires deep probing into the consumers' psyche.

**3. Behavioral Segmentation**

The consumer market can also be segmented on the basis of purchase behavior of consumer toward the product. Behavioral segmentation variables commonly used are product benefits desired, purchase occasions, user status, loyalty status, usage rate and marketing factor sensitivity.

**Product Positioning Process**

*Positioning is creating a product image which buyers will view in a certain manner relative to competing brands.* Here, the projected image is crucial. Positioning, thus is what an organization does to the mind of the buyers rather than what it does to the product. Product positioning may be of several types, such as attribute positioning, benefit positioning, usage occasion positioning, user positioning, competitive positioning and product class positioning.

**Types of Product Positioning:** Product positioning may be of several types, such as attribute positioning, benefit positioning, usage occasion positioning, user positioning, competitive positioning and product class positioning.

1. **Attribute positioning:**Attribute positioning is the simplest forms of positioning under which products are marketed on the basis of some of its important characteristics, such as quality, taste, durability, price, etc. In Nepal, most of the consumer product positions are based on the product characteristics.

1. **Benefit positioning:** Benefit positioning highlights the end benefits associated with the product. It is also a simple form of positioning where an organization promises a unique benefit to consumers from the use of the product. Marketers of toilet soaps use health, cleanliness, and beauty and freshness benefits. Similarly, marketers of tooth-paste highlight brightness, protection, fresh breath and stronger gum benefit.

1. **Use occasion positioning:**Use occasion positioning is based on the use of the product on a particular occasion or for a specific purpose. Marketers of instant noodles are promoting the product as a small quick snack *(MaMa and Easy)*, school tiffin *(Aha and MinMin)*, and complete food *(RaRa and WaiWai).* A holiday travel package may be marketed by a travel agency for relaxation, adventure, turning dream into reality, education, entertainment and so on.

1. **User positioning:** User positioning is based on the target consumers. It involves presenting the product as *"the most suitable"* for a particular category of consumers. Products may be targeted at high, middle or low income groups or children, teen age, young, middle aged or old consumers. For example, among the various brands of Surya Tobacco's cigarettes, *Surya* is targeted at high class urbanite consumers, *Shikhar* at the middle class urbanite consumers, *Khukuri* at the lower-middle class urban and rural consumers and *Bijuli* at the farmers and laborers.

1. **Competitive positioning:**Competitive positioning presents the organization's product as better or superior to competitors' products. *Coke and Pepsi* always present their products as better from each other. Recent promotion for *Kawasaki Bajaj* motor cycle is found to challenge *Hero Honda* on fuel efficiency and maintenance expenses. Competitive positioning, if not implemented tactfully, often results in serious litigation cases such as in the cases between *Nirma and Rin* detergent cakes and *Captain Cook and Tata* table salt.

1. **Product class competitive positioning:**Sometimes an organization may position its product against a product class instead of a particular brand. For example, margarine can be positioned against butter. Product class positioning invites less competitive reactions than direct competitive positioning.

**Process of Positioning**

Product positioning is implemented through a three-stage process: identification of differentiation factors, selection of the differentiating factors and communication of the selected factors.

**1. Identification of Differentiation Factors**

Differentiation factors are competitive advantages an organization is able to exercise in a market in relation to its competitors. They are values an organization is able to create for buyers. These values are what buyers are willing to pay. Superior values may emerge from a differentiation strategy implemented over the product, services, personnel and image.

* **Product differentiation:** A product can be differentiated in terms of its features, styles, design and performance.

* **Service differentiation:** An organization can implement differentiation on its physical products but also in terms the services attached with the sale of the product. Such differentiation can be practiced in the areas of product delivery, installations, customer training and customer consulting. Service differentiation may also be practiced on repair and maintenance, warranty and credit facilities.

* **Personnel differentiation:** Service oriented organizations adopt differentiation in terms of personnel. Airline companies, restaurants, departmental stores, and beauty saloons project to the buyers that their personnel have long experience and expertise and are also responsive and courteous.

* **Image differentiation:** Image differentiation involves projecting definite company or brand images to buyers. Projected images may include high quality, high technology, and long experience. Some organizations use symbols, such as crown crests or insignias or words like *"by appointment to the crown"* to make their products more valuable to buyers. Computer manufacturers often use the symbol "Intel Inside" to tell their buyers that they have placed a good quality *Pentium* processor inside their computers. Image creation is also possible through sponsoring of social events. The type of events the organization sponsors determines its social image.

**2. Selecting the Differentiating Factors**

Once the organization has identified all the differentiating factors it should select some factors that are relevant to the product, target market and the organization itself. In this stage, the organization has to decide on the number of differentiating factors to promote, and which ones to promote.

* **Number of differentiating factors:** Many organizations believe that only one factor should be promoted. They believe that if an organization promotes several claims on their products buyers find it difficult to believe on the claims. Several organizations project double-benefit positioning in a competitive market mainly because many companies are promoting similar claims for their products. There are some successful cases of triple-benefit positioning, but they are rare cases.

* **Selection of positioning variables:**Selection of the competitive advantage factors or the main positioning variables needs to base on the following criteria:

* **Consistency with the organization's image**
* **Competitors' positions and their strengths**
* **Cost of creating and defending positions**

Besides the three major criteria for selection, the positioning variables should have the following attributes:

* **Important:**  the positioning variable should be important to the market segment.
* **Uniqueness:**  the variable should be unique.
* **Superiority:**  the variable should be superior to variables used by competitors.
* **Communicability:** the variable should be easily communicable to buyers through the existing channels of communication.
* **Not easily copied:**  the variable should be such that it cannot be easily copied by competitors.
* **Profitability:**  the use of the variable should be able to give sufficient amount of profit to the organization.

**3.  Communicating the Positioning Factors**

Once the organization has selected the main positioning variables, it should be able to deliver and communicate them to the target market. The organization's marketing effort should be directed at creating, placing and defending the positions.

Marketing mix for a product, including product, price, distribution and promotion strategies, should support the positioning strategy. For instance, if an organization wants to place its product in high quality image position, the product's features, style and design should reflect the quality aspects. Packaging, branding and labeling should add to the high quality image of the product. It should be priced higher than the competitive level. The selection of the outlets should be in conformity with the high quality image. The organization should aggressively promote the product through high image advertising media.

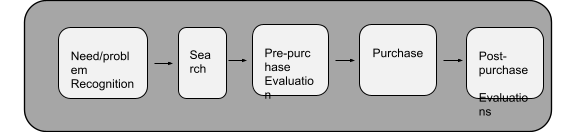
**UNIT 2**

**CONSUMER DECISION MAKING PROCESS**

Consumers face several buying decisions everyday. Some buying decisions are simpler than others. For instance, there is a marked difference in the purchase decision made by a consumer while buying toilet soap, a shirt, a car or a house. The complexity of his/her buying process is affected by whether the product to be bought is of high-involvement or low involvement.

A consumer has to pass through five stages to complete the buying process. These stages are: need or problem recognition, search, evaluation, purchase, and post-purchase evaluations and behavior.

**CONSUMER BUYING DECISION PROCESS**



**CONSUMER BUYING PROCESS IN RRB, LPS, AND EPS SITUATIONS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Problem Solving Situation: 🡪**  **Involvement levels:**  **Stages in the Buying Process** | **Routine Problem Solving**  Low | **Limited Problem Solving**  Limited | **Extensive Problem Solving**  High |
| **1. Need/Problem recognition** | Automatic | Semi-automatic | Complex |
| **2. Information search** | Minimum | Limited | Extensive |
| **3. Evaluation** |  |  |  |
| **4. Purchase behavior** | Convenience | Mixed | Shopping |
| **5. Post-purchase evaluation** | None | Some | Complex |
| **Examples** | Soap, Matches, Candies etc. | Apparels, Shoes etc. | Car, TV, Fridges etc. |

**Low-involvement purchase: Routine purchase situation (RPS)**

Consumers are involved very little in the routine purchase situation (RPS). They do not take any effort to search for information while buying the product. The problem recognition is automatic. Consumers realize the need to buy the product when its level of stock becomes low.  Consumers generally buy these products from the most convenient outlets. There are no post-purchase evaluations. This type of behavior is reflected in the purchase of low low-priced, frequently purchased items with no social values.

Brand choices are made with a minimum conscious effort. The purchase behavior is more or less habitual and repetitive. Consumer’s purchase behavior is routine mainly because the consumer is well-acquainted with the product class; is fully aware of the major brands and their characteristics; and has well-defined preference order among the brands. Some consumers also show a limited level of brand loyalty. In general, a consumer does not always buy the same brand because the brand choice is influenced by price cuts, stock outs etc.

The consumer is not likely to give much thought, search or plan for the purchase of the product. In this purchase situation, there is very limited amount of information search and evaluation. This type of search behavior occurs in the purchase of low-involvement goods such as box of matches, candies, chocolate bars, salt and other low priced grocery items.

**Limited-involvement purchase: Limited problem solving (LPS) situation**

Consumers are less involved in the information search and evaluation when the price and social value of the product is relatively lower than that of high-involvement products but higher than low-involvement products. Problem recognition is affected by need as well as advertisements and group pressures.

Consumers tend to show less motivation to search for information and go through a detailed evaluation between brands. In the LPS situation, the consumer usually has information about the product category but lacks clear brand perception. Thus, the consumer goes through certain amount of information search and limited evaluation. The consumer may ask questions, make enquiries and scan advertisements to learn more about the brands available before making further decisions. Consumers show both convenience as well as shopping purchase orientations depending on the amount of stored information in the memory system.

This type of search behavior occurs in occasionally purchased limited-involvement goods, when a consumer is not ready to compromise on price, quality and brands. Consumers are also found to show a higher level of brand-switching behavior by purchasing different brands during different purchase occasions. They also make a limited amount of post-purchase evaluation. Limited involvement is reflected in buying products and services such as apparels, shoes, education and health services.

**High-involvement purchase: Extensive problem solving (EPS) situation**

In high-involvement purchase situation, the consumer is prepared to invest more time, resources and efforts. In this situation, the consumer lacks full information about the product and faces the extensive problem solving situation.

In extensive problem solving (EPS) situation, the consumer is unaware about the product class and the different brands. The consumer also does not know the criteria for brand choice. In this situation, the consumer needs to undergo considerable amount of information search and evaluation. The evaluative criteria also become very complex.  Consumers face a situation of cognitive dissonance leading to post-purchase anxiety. If consumers are fully satisfied with a brand they show a very strong brand loyalty.

This type of purchase behavior occurs in the purchase high-priced products that have social importance and are also long-lasting. Normally, the purchase of a house, car, motorcycle, or television demands high-involvement of consumers and creates a complex extensive problem solving situation.

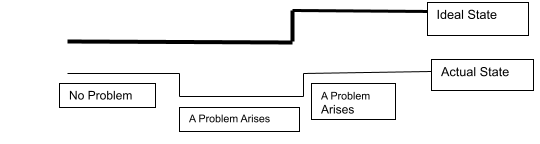
**STAGES OF THE BUYING DECISION PROCESS**

**1. Problem/Need Recognition**

Problem/need recognition is the first step of the buying process of consumers. Problem recognition occurs whenever a consumer finds a significant difference between his/her current state of affairs and some desired or ideal state. A problem can arise in one of the two ways: (1) when the actual state move downwards, and (2) when the ideal state move upwards (see figure).

When a consumer perceives a difference in the two states he/she perceives that there is a problem to be solved. Such problem may be big or small, simple or complex.

**Figure: Problem Recognition**



A consumer may recognize a problem when the petrol level in his/her motorcycle reaches the reserve-level. The consumer may also realize a problem when he/she feels that his/her image is adversely affected by riding the same motorcycle for more than five years. The first problem is simple and can be overcome by filling in petrol in the nearest petrol pump. The second problem is complex and requires extensive search and evaluation.

**Types of Problem**

There are different types of problems such as routine, emergency, planning, and evolving problems.

1. **Routine problems:** In routine problems, the gap between the actual state and desired state is expected to occur and an immediate solution is required. Examples of routine problems are depletion of the stock of grocery items such as rice, salt, oil, toiletries etc.

1. **Emergency problems:** Emergency problems are normally unexpected but demands immediate solution. Examples of emergency problems are sickness and accidents.

1. **Planning problems:** In planning problems, the problem is expected but immediate solution to the problem is not necessary. Examples of planning problems could be related to buying a car or home, and seeking education and entertainment etc.

1. **Evolving problems:** Evolving problems neither are expected nor demand immediate solution. Example of an evolving problem could be related to adoption of fashion that constantly evolve and changes over time creating new problems.

**Results of Problem Recognition**

In most of the situation the realization of a problem leads to need recognition – the need for products and services to solve the problem.Consumer buying process always starts with the emergence and recognition of a problem or a need. A need can be activated through internal and external sources (see figure).

**Internal stimulation:** In internal stimulation, one of the consumer's normal drives such as hunger, thirst, sex, shelter, sleep etc. rise to a threshold level and force him/her to seek the drive reducing objects.

**External stimulation:** External stimulations result out of the triggering cues such as advertisement or exposure to the object itself. Arousal of a need drives the person into a state of discomfort and anxiety which leads him/her to products capable of satisfying the aroused needs.

**Figure: Problem Recognition Process**

**Marketing Implications of Problem Recognition**

Problem recognition is the first step of consumers’ purchase decision process. In this step, marketers are largely interested in measuring the process and using the results in developing their marketing strategies. There are three major areas where the information on problem recognition is used – measurement, activation, and utilization.

**Measurement of Problem Recognition**

During the measurement phase marketers conduct three types of researches: Need-product gap analysis, measurement of consumers’ attitudes towards current brands, and measurement of buying intensions.

**Activating Problem Recognition**

Marketers normally use marketing communications to activate problem recognition by consumers. The communications are targeted in a way so that consumers feel a gap between their actual state and their desired state. Therefore, the communication is targeted at influencing the desired state, the actual state, and timing of the problem recognition.

**Utilization of Problem Recognition Information**

Finally, marketers utilize the key information from problem recognition analysis to formulate their marketing strategies.  The results from need-product gap analysis are utilized to design and market products and services that perfectly match consumers’ desired state. The results from attitude study are utilized for designing more effective communication. The results from the buying intension study are utilized for estimating sales of various brands in the target market.

**2. Information Search**

When consumers realize the existence of a problem they need adequate information to solve the problem. Thus, information search is the process by which the consumer collects information on the products, brands, stores, prices, quality and other attributes and benefits of the product or brand alternatives.

**Types of Information Search**

Information search by consumers can be either passive or active. Passive search, also known as ongoing search, is independent of a problem or need. In this type of search behavior consumers are found to go through a variety of information to meet their inquisitiveness and satisfy curiosity. Thus, in passive search a consumer may look into information on products without a need for the product. Consumers undertake active search (pre-purchase search) when they have a problem to solve. Thus, active search is intentional and directed at solving a problem with appropriate products or services. There are mainly two types of active information search: internal, external.

**Internal search:** Researchers have identified two types of consumer search process - internal search and external search. Internal search always precedes the external search.

If an aroused need is strong and the gratification objects readily available the consumer is likely to gratify the need immediately without any search for information. This usually happens in the cases of low-involvement products purchased in routine response behavior situations. Often consumers need information to clarify his/her brand choice even in low-involvement situation for which he/she searches information from his/her memory system about products that can best solve the problem and satisfy the need. The consumer relies on past information and experiences to develop brand attitudes and preferences. Internal search mainly involves the consumers’ action to retrieve information on products and brands from long-term memory system.

**External search:** When the information from the internal search is not enough to clarify the situation a consumer engages in information search from the environment.

**Types of Information sought:** There are mainly three types of information consumers are interested in to collect form the external sources:

1. ***Evaluative criteria:*** Consumers seek information to form the evaluative criteria. Evaluative criteria involve determining standards in terms of attributes and benefits of a product. For example, consumers of seeking information on computers learn to categorize brands in terms of their attributes (price, processing speed, memory, storage capacity) and benefits (servicing, upgradeability, design, usages etc.).

1. ***Alternatives available:*** After getting information on evaluative criteria the consumer will seek information on the various product and brands options available in the market. Possibly, the consumer will also seek information on the stores in which the various brand options (total set) are available.

1. ***Alternative characteristics:***  The consumer seeks further information on his/her evoked set to clarify his/her brand preferences. In this stage, the consumer collects detailed information on the attributes and benefits of each brand in the evoked set.

**Sources of information:** During external search, a consumer seeks information from the following sources:

***1. Personal sources:*** family members, friends, neighbors, acquaintances etc.

***2. Marketing sources:*** advertisement, salespersons, packaging, displays etc.

***3. Public sources:*** newspapers, magazines, radio, television, Internet etc.

***4. Experiential sources:*** handling, examining and using the product.

**Marketing Implications of Information Search**

The information search process and behavior has important implications in marketing. Marketers mainly try to manipulate the process by studying the process and by influencing consumer’s evoked set.

**Studying Search Process**

Marketers need to understand product specific search behavior in order to be able to influence the search process. For this they first have to determine the number and types of sources used by the consumers, and then decide on the influence of those sources on consumers.

***Sources of information:*** Sources of information are usually studied through in-depth studies of consumers’ search behavior across demographic profiles (cross-sectional studies) and over a period of time (longitudinal studies). Marketers can also use warranty cards to collect information on consumers’ search behavior by making consumers fill in information on their search activities as from where they got the information on the brand and where they made the purchase.

***Effectiveness of sources:*** The effectiveness of information sources in molding consumer’s purchase intensions are regularly assessed by marketers. The source effectiveness is influenced by the consumer characteristics as well as the nature of the product. In some products the word-of-mouth is effective while in others advertising is found to be effective. In terms of source effectiveness there may be three levels; decisive effectiveness, contributory effectiveness, and ineffective. Decisive effectiveness indicates that the source is powerful enough for a consumer to make his/her purchase intension. Contributory effectiveness means the source can make partial contribution to form the purchase intension. The ineffective sources have no effect in the purchase intension.

**Influencing Consumer’s Evoked Set**

Marketers use the information from the search process to influence the consumers’ evoked set (brand awareness level). For this, marketers need to conduct a research to find the brand awareness level and to find the brand considerations or choice set (brands identified for purchase) among the consumers. Based on these information marketers can design communication strategies to place their brands in the evoked set and ultimately bring their brands into the choice set.

**3. Evaluation of Alternatives**

In this stage, a consumer uses the information to clarify the various alternatives and their relative attractiveness. This is the least understood part of the consumer buying process. Each individual has his/her own system of evaluations. In general, the evaluation process includes determination of the evaluative criteria, reducing the range of alternatives, and evaluating alternatives.

**Evaluative Criteria**

A consumer uses some criteria to evaluate product or brand options. These criteria are based on some standards and specifications that may be objective or subjective. In general, consumers tend to evaluate alternatives in terms of product class attributes. Normally, consumers view a product as a multi-attribute object having a number of characteristics, such as features, name, price, quality, service, warranty etc.

During the evaluation stage, consumers are interested to find out how each brand stands in terms of the various attributes. Generally, all consumers are not interested in all the attributes of a product, but only those which are important to them. Consumers compare the product's major attributes with the attributes important to them. For example, while buying a pair of walking shoes, the brand name, price, style, materials used, and comfort are the major attributes. A consumer may give high priority to the brand name while another may give high priority to comfort, and still others may consider the materials used in the manufacture of the shoes.

The number of evaluative criteria greatly varies across products. In buying a car or a motorcycle a consumer may use numerous evaluative criteria (brand, price, style, model, fuel economy, serviceability, warranty etc.), while very few evaluative criteria are used in grocery items. The number of evaluative criteria becomes narrow when a consumer gains shopping experience over time. The nature of evaluative criteria also changes with the learning process and access to information.

**Reducing Range of Alternatives**

After developing evaluative criteria, a consumer normally move towards narrowing down the product choice alternatives. A consumer generally screens out the inert set and inept set of brands from his/her awareness (evoked) set and determines the choice set. Thus, the brand awareness level and brand beliefs play important role in this process. For example, a consumer may organize the awareness sets in the following manner while reducing alternatives in the case of television brands.

**Figure: Consumers’ Successive Sets**



Consumers are likely to develop brand beliefs or brand image during evaluation. Consumers use their past experience to develop positive or negative feelings toward the brands of a product class. Opinion of other people, such as family members, friends and other reference group members also contribute to shape a consumer's brand beliefs.

**Evaluating Alternatives**

Consumers use two major approaches to evaluate the alternatives: brand processing and attribute processing.

***1. Brand Processing:*** This approach is known as choice by processing brands (CPB). In CPB, a consumer evaluates one brand at a time. During evaluation, the consumer assesses the attributes present in a brand first and then repeat the process for other brands in his/her evoked set.

***2. Attribute Processing:*** This approach is known as choice by processing attributes (CPA). In CPA, a consumer considers a major attribute and evaluates the various brands in relation to that attribute. Then the consumer takes another attribute and evaluates the brands on the second attribute and so on.

The CPB processing approach is found to be more prevalent than the CPA approach. However, during the initial phase of evaluation consumers are found to use the CPA method, and in later phase the CPB method.

**Evaluation in High-involvement and Low-involvement Situations**

In high-involvement decision situations, consumers move from belief formation (brand beliefs) to affect formation (brand attitude) to behavioral intentions (brand consideration). In low-involvement decision situations, the consumer moves from a rudimentary belief to purchase and the affects (attitudes) develop after the purchase behavior.

**Marketing Implications of the Evaluation Process**

Marketers are highly interested to know the evaluation process of consumers so that they can design marketing strategies to influence the process. The major marketing implications of the evaluation process are in measuring the evaluative criteria and influencing evaluations.

**Measuring Evaluative Criteria**

Marketers must know the major criteria used by consumers in the evaluation of products and brands and find out how they use these criteria to come to a choice situation.

**Determining evaluative criteria:** Marketers must find out the various evaluative criteria used by consumers through an intensive research. The research may be based on a questionnaire survey (quantitative study) or focus group discussion (qualitative). Whatever be the methodology the questions asked is same – What factors the consumer considers when they compare product alternatives? The questions may be put directly or indirectly. Indirect questioning involves asking consumers – What factors they think are considered by other people when they evaluate product alternatives.

**Determining the importance of the evaluative criteria:** Once the evaluative criteria are identified the research is focused on determining their relative importance to the consumers. Mostly a rating scale (five or six spaces) is used to record consumers’ responses on the importance of the evaluative criteria. The rating scales can be built either on bi-polar (important to unimportant) or semantic differential (high quality to low quality) or on a 100 point importance scale. This step of the research is important in order to identify major criteria and isolate minor ones.

**Determining brand performance over the major evaluative criteria:** As a third step in the measurement process, the market researcher is interested to know how various brands are rated in terms of the major evaluative criteria. For this, the semantic differential scales are appropriate. The result of this stage of research can be presented in a perceptual map through the multi-dimensional scaling method.

**Determining consumers’ cue usage:** Consumers use various cues to assess evaluative criteria. It is necessary to identify those cues. The cues may be certain attributes (characteristics, qualities, color or styles) used by consumers in the evaluation process. Proper identification of the cues is very important for formulating marketing strategies.

**Influencing Consumers’ Evaluations**

Once the marketer has the information from the measurement process he/she can utilize the information to influence consumers’ evaluations. The information is used to enhance the brand image so that the brand comes out of the consumers’ inert and inept sets and enters the choice set. This is achieved by two strategies: altering the cue characteristics and altering information value of the cues.

***Altering cue characteristics:*** Brand image can be enhanced by altering the characteristics of a dominant cue. When consumers perceive most brands as similar (e.g.: biscuits and instant noodles) the marketer can change one of the major cues (size or shape) to create the differentiation.

***Altering information value:*** Under this strategy, the marketer reeducates consumers to use alternative cues in brand evaluation. This is quite difficult to achieve as consumers are used to the learned cues over a number of years.

**4. Choice or Purchase Decision**

The evaluation process leads a consumer to make a choice among several alternatives. In this stage, the consumer normally has to make two types of choices: the brand choice and the store choice. Sometimes, a consumer also faces problem of choosing between non-comparable alternatives such as purchasing a car or buying a house or going for an expensive vacation.

**Brand Choice**

The brand choice behavior differs between high-involvement decisions, low involvement decisions, and experiential choice situations. Consumers are found to use two types of decision rules in evaluating brand attributes: the compensatory and non-compensatory decision rules. In high-involvement situations consumers are found to use the compensatory decision rule and in low- involvement situations non-compensatory decision rules

**High-involvement Choice - Compensatory decision rule:** Under this rule, consumers use favorable attributes of a brand to overcome the unfavorable attributes. That is, brand strengths are used to compensate for brand weaknesses. Thus, to follow this rule a consumer needs to evaluate brands over several attributes. Consumers undergo the mental exercise to rate brands over attributes one-by-one. The brands obtaining the highest total ratings are usually considered for purchase. Thus, according to this decision rule a brand is not rejected if it is weak in one or two attributes. It has high chance of acceptance if it has other stronger attributes.

**Low-involvement Choice - Non-compensatory decision rule:** Under this decision rule, consumers consider the strengths and weakness of the brands independently and one attribute does not compensate the other. There are several varieties of non-compensatory rules used by consumers.

* **Disjunctive rule:** Consumers establish a minimum performance standard for a product category and all brands that meet the minimum standard are considered for purchase.

* **Conjunctive rule:** Consumers establish a minimum level of acceptability on each brand attribute and brands that meet the minimum acceptability are considered for purchase.

* **Lexicographic rule:** This is an extension of the disjunctive rule in which consumers consider additional evaluative criteria if they cannot make a decision over the major criteria. .

* **Sequential elimination rule:** Under this rule, consumers eliminate brands from the consideration list that does not meet the minimum performance standards set for a product category.

**Experiential Choice:** In experiential behavior, the choice is a direct result of the consumer’s feelings toward the brand. Experiential choice refers to habitual, impulsive and brand loyal purchase situations.

* ***Habitual choice:*** Habitual purchases are made repetitively by consumers and are formed out of habit. This type of choice behavior is found in the low-involvement products. There is very little information processing and evaluation in habitual choices. Consumers generally have at least one good reason to explain their habitual purchases.

* ***Impulsive choice:*** An impulse purchase is made without prior recognition of a problem. The choice is made in the spur of the moment motivated by strong feelings toward the brand. Most of the department store purchases are driven by impulses. A consumer’s state of the mood is also found to influence impulse purchases. When consumers are in free and relaxed they tend to make more impulse purchases than when they are tense.

* ***Brand loyal choice:*** Brand loyalty is a result of strong favorable attitude and continuous satisfaction with a brand. Thus, brand loyal choices result from the outcomes of previous purchases. There is very little information processing and evaluation in brand loyal choices.

**Marketing Implications of Choice**

Marketers can effectively integrate the information on consumers’ choice process in designing the marketing strategy and program. The information is highly relevant in designing marketing mix, market segmentation, and brand positioning.

**Marketing mix:** Marketers use information from consumers’ choice process to design the marketing mix. Selections of brand name, packaging, product quality, service levels, and warranty are primarily determined by how consumers consider these factors in their product choice. The choice of price levels and price points also benefits from this information. Advertising, personal selling and sales promotions are primarily directed at influencing consumers’ choice.

**Market segmentation:** Marketers often segment their market in terms of consumers’ choice process. For this, it is essential for a marketer to know whether a consumer is following a low-involvement or high-involvement process in the purchase of a product or service. It is important for marketers to know how consumers make a choice between comparable and non-comparable brands.

**Brand positioning:** Brand positioning can benefit from a good understanding of consumers’ choice process. Market research can identify consumer groups that desire different sets of attributes in products and services. Brands can be perfectly positioned to match those desires and aspirations.

Beside these, the issue related to store choice is critical for retailers. The design of point-of-purchase materials and sales promotional tools is based on information from the choice process.

**5. Post Acquisition (Purchase) Behavior**

Understanding the post-acquisition behavior of consumers has become extremely important in today’s context. This is very important from the viewpoint of consumers’ satisfaction with the product. Satisfied consumers not only become brand loyal but also work as brand ambassadors. Dissatisfied consumers not only show strong complaint behavior but also spread negative image of the brand and the company. The method of product disposal has become a critical issue in the societal marketing concept. There are four areas of marketing interest in the post acquisition phase. They are: consumption and usage, satisfaction and dissatisfaction, complaint behavior, cognitive dissonance, and product disposition.

**Consumption and Usage**

An understanding of how consumers use and consume products is very important in marketing. This becomes relevant not only to provide use alternatives but also to design new product or service offers. It also supports a marketer’s effort to provide product installation services and offer related products. Study of the usage and consumption behavior of consumers help determine the consumption frequency, consumption amount, consumption interval, and consumption purpose.

**Satisfaction and Dissatisfaction**

The consumer continues to make evaluations after the purchase has been made. The extent of post-purchase evaluation depends on whether the product is high-involvement or low-involvement. In low-involvement products, the consumer has entailed low opportunity costs and thus post-purchase evaluation is not intense. In high-involvement products, where the opportunity cost is high, consumers tend to constantly evaluate their purchase decision.

After consumers buy, use, or consume a product they tend to develop a feelings of satisfaction or dissatisfaction toward the product. Satisfaction refers to the buyer’s state of being adequately rewarded by the purchase decision. Thus, consumer satisfaction is a type of consumer attitude. Several researches into consumers’ satisfaction/dissatisfaction have led to a general theory of satisfaction/dissatisfaction.

The theory suggests that consumers have certain prior or pre-purchase expectations from a product or service. They compare the product’s or service’s performance to their prior expectations. If they find the performance higher than their expectations then they are satisfied and if they find the performance lower than their expectations then they are dissatisfied.

Consumers’ pre-purchase expectations are in the following three areas:

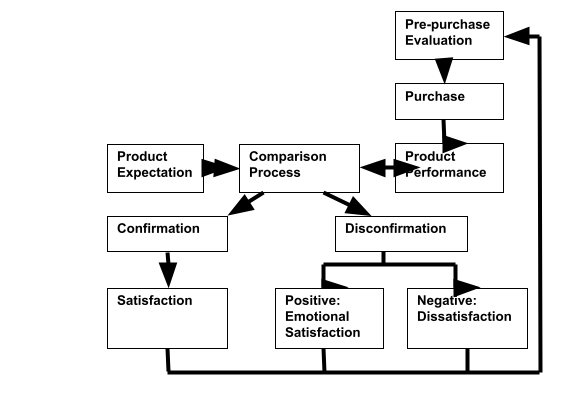
***1. The nature and performance of the product***: This includes the anticipated benefits to be derived directly form the use of the product.

***2. Costs and efforts to be expended for obtaining the product benefits:*** This includes physical, mental, time and monetary costs.

***3. Social costs and benefits from the product or service:*** This includes the anticipated impact of the purchase on other people.

Advertising has a major role to play in forming consumers’ expectations. Consumers form their product performance expectations on the basis of the costs and efforts put into buying and using the products. When they use or consume the product they compare the actual performance to their expectations. The interaction between the expectation and actual performance produce satisfaction or dissatisfaction. Consumers’ confirmation process determines the level of satisfaction or dissatisfaction.

**Figure: The Post-purchase Evaluation Process: Satisfaction and Dissatisfaction**



When a consumer gets what he/she has expected from a product he/she confirms that the product’s performance is equal to his/her expectations. This leads to satisfaction. When a consumer does not get what he/she has expected from the product it leads to a situation of disconfirmation that leads to dissatisfaction.

Disconfirmation can be of two types: positive and negative. When a consumer receives more than his/her expectation, it leads to positive disconfirmation. Positive disconfirmation is a state of emotional satisfaction or delight. When a consumer receives less than his/her expectation, it leads to negative disconfirmation or dissatisfaction. The output of the consumers’ net experience with a product works as a feed-back in the pre-purchase evaluation process.

Several correlates of satisfaction and dissatisfaction have been noted down in various researches. Some of the correlates are presented here:

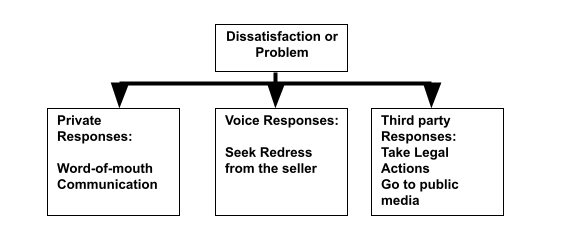
* Older consumers have lower level of expectations and tend to be more satisfied.
* Higher education level is associated lower satisfaction.
* Men tend to be more satisfied than women.
* Higher confidence level and competency in purchase leads to higher satisfaction.
* When a consumer perceives that other people are satisfied they also tend to be satisfied.
* Consumers who are satisfied with their life tend to be satisfied with products.

**Consumer Complaint Behavior**

The consumer complaint behavior is a direct result of dissatisfaction with a product or service. There are several forms of complaint behavior. Consumers may exhibit unfavorable word-of-mouth communication behavior and tell other people about their dissatisfaction. This behavior is very powerful in developing negative image of the brand and the company. Dissatisfied consumers may not purchase the brand again. Consumers may lodge verbal or written complaint to register their dissatisfaction. The general attribute of complainers have been explored in different researches.

* Complainers are more from the high socio-economic class than low socio-economic class.
* Severity of dissatisfaction (problem) is positively related to complaint behavior.
* Complaining is positively related to perceived retailer responsiveness.

The following figure depicts three actions of a dissatisfied consumer:



The private response is very strong when a consumer tells his/her friends, neighbors, and collogues about their frustrations with a product or service. Consumers often directly communicate with the seller or the manufacturer about their problem and seek redress in the form of money-back, product replacement or compensation. As a third alternative they may file a suit in the consumer forums or court of law and seek heavy damages. Some consumers also take the help of public media to voice their complaints.

**Post-purchase Dissonance**

Very often, negative feelings may arise after the purchase of a high involvement product. This is known as the post-purchase anxiety and is explained by the concept of *cognitive dissonance* developed by Leon Festinger*.*

In post-purchase situations, a consumer may develop imbalance or lack of harmony on two cognitions or beliefs about the product and all other forgone opportunities. The consumer is tormented with anxiety relating to whether the purchase decision was sound or unsound. The dissonance theory is based on the following two major principles:

1. Dissonance is uncomfortable and motivates a person to reduce it.

2. Individuals experiencing dissonance will avoid situations that produce more dissonance.

**Magnitude of dissonance:** The magnitude of dissonance is determined by several factors:

***1. The degree of the consumer’s commitment to the purchase:*** If the consumer has entailed high monetary, psychic, and social costs in the choice, the consumer is likely to experience higher level of dissonance.

***2. Irrevocability of the decision:*** If a consumer is unable to alter the decision, the consumer is likely to face dissonance. Products that provide money-back guarantee is directed at reducing the magnitude of dissonance.

***3. The importance of the decision to the consumer:*** If the purchase decision is important to the consumer it is likely have dissonance.

***4. Difficulty in choosing among alternatives:*** Greater the similarity between product alternatives leading to difficult brand choice, higher will be the dissonance.

***5. Individual’s tendency to experience anxiety:*** Consumers’ personal characteristics of experiencing anxiety also lead to dissonance. Therefore, higher the tendency to experience anxiety, the more likely the consumer will experience the post-purchase dissonance.

**Resolving dissonance:** The tension introduced by dissonance related anxiety force the consumer to seek adequate remedies. This drive leads the dissonant buyer to one of the three courses of action:

1. Break the link between the consumer’s self-concept and the product by returning it or complaining about it. This alternative has strong negative implications for the brand because consumers try to reduce their anxiety by either returning the product or spreading negative word-of-mouth communication among his/her peers, family, and neighbors. Either way the brand loses sales.

2. Add new information by reading materials relevant to the choice. It leads the consumer to seek favorable information about the product and look for support from family and friends on his/her choice. Marketers of high involvement products normally place reassuring advertisements and train salespersons to support the consumer’s choice in order to reduce the dissonance.

3. Psychologically reevaluate the desirability of the chosen alternative in the positive direction and the desirability of the unchosen alternatives in a negative direction. This alternative has positive consequences for the brand. In this process the consumer reduces the psychological imbalance by gradually changing his/her brand perceptions in favor of the chosen alternative. This leads the consumer to develop strong favorable feelings towards the brand.

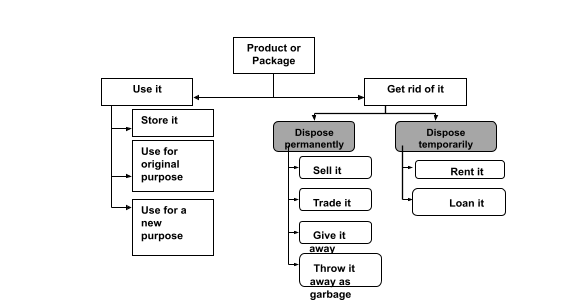
**Disposal**

Consumer researchers and marketers recognized importance of the study of product disposal methods only recently. Thus, very little research has been focused on this area. Product or package disposition may occur before, during, or after product use. For some products such as the ice-cream cone there is no problem of disposition.

Disposition has become very important form the perspective of marketers as well as public policy makers. For marketers the study of disposition is important to understand consumers’ re-use and alternative use processes. For public policy makers, disposition is a critical issue of management of solid waste in the urban centers.

**Methods of Disposition:** Consumers have two basic options for the product: disposal: keep it, dispose it. In terms of disposal there are two more options: temporary disposal and permanent disposal. The various methods of product disposal are presented in the following diagram:

**Figure: Methods of Product or Package Disposal**



**Keep it:**Option one involves keeping the product after using it for sometime. If the product is kept, it can be continued to be used for the intended purpose, convert to a new use, or stored for future use.

If a consumer is highly satisfied with the product he/she may continue to use the product for a long time. Consumers may also convert the product for a new use. For example an old tooth-brush can be used as a cleaning device. If consumers find new uses for the product, marketers may advertise on the new use. A consumer may also store the product for future use. Research has indicated that consumers generally store a product if they are not fully satisfied with the product.

**Temporary Disposal:**Temporary disposal can be executed either by *renting it or loaning it* to someone. Consumers often handle dissatisfaction through temporary disposal method. The option of renting has some monetary incentive to the consumer while loaning is usually free of charge.

**Permanent Disposal:**Permanent disposal of the product may result out of dissatisfaction with the product immediately after purchase or sometime after its use.

Consumers have four alternative methods of permanent disposal: sell the product, exchange it with another product, give it away to someone free of cost or throw it away as garbage.

Once consumers are dissatisfied with the product they try to sell the product to resellers, second hand shops or some other person. A consumer may also make an effort to exchange the product with some other product. Availability of second hand buy-and-sell outlets facilitates such transactions.

Consumers, often give away used or stored products in charity. Consumers may also throw the product away if they find no use for it. If consumers throw the product away, marketers should be interested to know how they dispose it, especially if the product can harm the environment.

**Marketing Implications of the Post-purchase Behavior**

The post-acquisition behavior of consumers has very important implications for designing marketing strategies. Especially important in this phase is the adequate and correct understanding how consumers consume and use products; what causes satisfaction and dissatisfaction; how consumers complain; what are the reasons for dissonant behavior; and how they handle the product disposition.

**Consumption and Use:** Marketers need to understand how consumers consume and use the product in their functional as well as symbolic ways. This information can provide valuable input for designing better products and more effective communications. Very often, consumers show use innovativeness by using a product in new ways. Knowledge of new innovative use can help expand the sales of the product.

**Satisfaction and Dissatisfaction:** Consumer satisfaction is the core element of the modern marketing concept. Marketers put every effort in their program so that the products and services meet customers’ expectation. They develop promotional program to build an expectation level of consumers and try to meet these expectations through the marketing mix. Consumer dissatisfaction with a product leads not only to lose individual sales but also the total image of the brand and the company. Therefore, understanding the level of satisfaction is critical for every marketer.

**Consumers’ Complaints:** Understanding consumers’ complaint behavior is the first step in correcting dissatisfaction. The most favorable consequence of dissatisfaction from a marketer’s view point is to receive the complaints directly from consumers before they talk about their problem with other people or institution. When complaints are lodged with the seller or manufacturer the problem can be immediately tackled with minimum negative consequences. Thus, understanding consumers’ complaint behavior is very important in marketing.

**Dissonant Behavior:** There are several marketing implications of a consumer’s dissonant behavior. Most of the implications are related to designing communications to reduce the dissonant behavior.

***Confirming expectations:*** When consumers find the product’s performance as good as their expectations they tend to show lower level of dissonant behavior. The study of dissonant behavior teaches marketers not to raise consumers’ expectations to a very high level so that they cannot confirm it positively. Negative confirmation leads to dissatisfaction. Advertising based on “puffery” or exaggeration may push sales in the short-term but ultimately leads to depletion of the firm’s image through a large-scale dissonant behavior of consumers.

***Reinforcing buyers:*** Consumers normally search for additional information on the product in order to reduce the dissonance related anxiety. Marketer can design advertisements that help to confirm the “wisdom of purchase” by consumers and reassure them about the product’s attributes and benefits. This type of communication normally reduces the magnitude of dissonance.

**Product Disposition:**  The social reason for understanding consumers’ product disposition process is to reduce the cumulative effects of product disposal on the environment and quality of life of people. The firm’s owners and employees live in the same society. It would be better for the firm if it shows concern for the problem of pollution and takes some action so that its products and packages are disposed off safely and conveniently without harming the environment. More specifically, there are three more reasons that have economic consequences in marketing.

***Help consumers in disposition:*** Many consumers are reluctant to buy a newer version of a product until they have an old model that is still functional. This happens frequently in the case of high-involvement products such as television, refrigerators, motorcycle or cars. In such cases, the marketer can help consumers to dispose off the old product by introducing exchange offers. Examples of such trade-in or exchange offers have become very popular in products such as television sets, motorcycles and cars in Kathmandu and other major cities of Nepal.

***Create used-product market:*** Consumers decision to resell or trade products can create an opportunity to start used-product market. Such markets have evolved in the areas of motorcycle, cars, and furniture in Kathmandu.

***Promote maintenance services:*** In a poor country like Nepal, consumers cannot throw away durable products easily. They would like to repair them as far as possible. This provides good opportunity to promote the maintenance services.

**OPINION LEADERSHIP AND CONSUMER BEHAVIOR**

Opinion leadership is the process by which one person (the opinion leader) informally influences the actions or attitudes of others (opinion receivers or opinion seekers). The influence of opinion leaders is mostly informal and verbal through word-of-mouth communication. The opinion leaders provide product or service related information and advice to opinion seekers. Thus, opinion leadership is a powerful channel of communication that marketers would like to use for diffusion of products and services.

Opinion leader are effective source of communication and are very effective in influencing opinion seekers in their product related decisions. They provide very effective communication channel in marketing as the consumers perceive opinion leaders as neutral and objective concerning their information and advice.

**Influence of Opinion Leadership**

Opinion leaders have heavy influence on opinion seekers in their product and brand choices. Opinion leaders have the following characteristics that make them powerful force in consumer behavior.

1. **Credibility:** Opinion seekers perceive opinion leaders as credible sources of product or brand related information since they provide objective and unbiased opinions. Opinion leaders do not gain any monetary benefits from their brand endorsement.
2. **Positive and Negative Product Information:** Opinion leaders provide both favorable and unfavorable information on a product or brand. Opinion seekers can effectively evaluate their product or brand consideration when they receive the negative as well as positive information.
3. **Advice:** Opinion leaders through their product experience can provide valuable advice to the opinion seekers in course of informal communication. The advices may be centered on best possible brands, best use of a product, or best buy.
4. **Category-specific Opinion:** A person can be opinion leader only in a specific product category in which he/she has sufficient information and experience. In other product categories he/she may play the role of a opinion seeker or recipient.

**DIFFUSION OF INNOVATION AND ADOPTION PROCESS**

The diffusion of innovation explains how new products, services, and ideas are accepted by consumers in a target market. Marketers of new products are interested in two closely related process of consumer acceptance of new products – the diffusion process and adoption process. Diffusion is a macro process concerned with the spread of a new product in a society. The adoption is a micro process that explains how an individual consumer adopts a new product. Thus, adoption process is part of the diffusion process because without individual adoption a new product cannot be diffused in a society. The diffusion process has five key elements: innovation, adoption process, adopter categories, social system, and time.

**1. Innovation**

An innovation is a new product, service, or idea that becomes available in the market for the first time. There are three types of innovations that demand varying degrees of modification in consumers’ consumption behavior.

1. **Continuous innovation:** The continuous innovation involves minor modifications on an existing product. Such modifications may be in improvement of performance, taste, packaging or some additional features. A continuous innovation does not require a consumer to change his/her consumption behavior. For example, computer manufacturers are constantly increasing the data storage and processing capacity of all types of computers.
2. **Dynamically continuous innovation:** Dynamically continuous innovation involves major modifications on an existing product. Such modifications require a consumer to adjust his/her consumer behavior according to the modifications. Example of a dynamically continuous innovation could be a palm-top computers or interactive television sets.
3. **Discontinuous innovation:** Discontinuous innovations are completely new products that require a consumer to establish a new behavior pattern. The mobile phone, birth control pills or Viagra tablets are examples of discontinuous innovations.

**2. New Product Adoption Process**

Some customers adopt a new product early while others delay their adoption. Many customers may not adopt the product. The adoption process explains how potential customers learn about new products, try them, and adopt or reject them. According to William J. Stanton (1998**) *“the adoption process is the set of successive decisions an individual makes before accepting an innovation”.***

The adoption process has six steps through which a potential customer passes through before a new product is adopted.

1. **Awareness:** During the first stage a consumer is exposed to the new product through marketing communication. This exposure is neutral, for they are not yet interested to search for information about the new product.
2. **Interest:** If a consumer develops an interest in the new product he/she is likely to search for information and learn how he/she can benefit from the product.
3. **Evaluation:** Based on the available information, the consumer makes a “mental trial” of the new product. If the evaluation is satisfactory the consumer is likely to try the product. If the evaluation is unsatisfactory the product will be rejected by the consumer.
4. **Trial:** In this stage the consumer uses the product on a limited basis and determines its value.
5. **Adoption:** The consumer’s experience with the product (positive or negative) determines its chance of adoption. If the experience is positive the consumer is likely to adopt the product. If the experience is negative the consumer is likely to reject the product.
6. **Confirmation:** Confirmation is the last stage of the process in which the consumer constantly evaluates and reevaluates his/her decision to buy the new product in terms of its delivered value. Positive confirmation leads a consumer to be a regular buyer of the product.

**3. The Adopter Categories**

The adopter categories constitute of consumer groups who adopt a new product over the different periods of time. There are five adopter categories – pioneers, early adopters, early majority, late majority, and laggards.

1. **Pioneers:** The pioneers (about 2.5 percent of the market) are the first group of consumers to buy a new product. They buy the product during the introduction stage of the product life cycle. The pioneers are venturesome and show high risk taking behavior.
2. **Early adopters:** After the pioneers, the new product is adopted by the early adopters (about 13.5 percent of the market). The early adopters are opinion leaders and have high socio-economic status. They buy the new product at a high price during the market growth stage.
3. **Early majority:** The early majority (about 34 percent of the market) adopt the product before the average person. The first half of the early majority adopts the product during the growth stage and the second half during the maturity stage.
4. **Late majority:** The late majority (about 34 percent of the market) are skeptical group who adopts the product out of social pressure or for economic gain. The late majority adopt the product only when its price gradually declines during the maturity stage, particularly after saturation period.
5. **Laggards:** The last group of buyers popularly known as laggards (about 16 percent of the market) is tradition bound and highly suspicious of changes. They buy the product around the decline stage when the price of the product has drastically fallen.

**4. The Social System**

The diffusion of innovation usually takes place in a social setting. Past researches on innovation have shown that the upper levels of the society (high-income high status group) first adopt new products. The new products gradually move down the social hierarchy over time.

Innovation theory also shows that new products are more easily diffused in modern social systems than in the traditional social systems. The modern social systems have positive attitude toward change; general respect for education, science, and technology; and open to new ideas.

**5. Time**

Time is the key element of the diffusion of innovation process. The time factor focuses on two aspects – purchase time and adoption time.

1. **Purchase time:** Purchase time refers to the amount of time taken by a consumer to purchase a new product after being aware about the product. If the purchase time is short the diffusion process will be faster.
2. **Adoption time:** Adoption time refers to the time taken for a product to be adopted by members of a social system. The faster is the adoption time the higher will be the probability of its larger acceptance as a necessity product.

**SELECTED VIEWS ON CONSUMER DECISION MAKING PROCESS**

Various authors from a variety of disciplines have presented the consumer decision making process from their own perspectives. The views can be summarized by presenting a consumer as (i) economic man, (ii) passive man, (iii) cognitive man, and (iv) emotional man.

**Economic man model:** The economic man is explained by the economists in a market situation of perfect competition and perfect information. The economic man is perceived as capable of always making rational purchase decisions. The economic man model is unrealistic in the real world mainly because of the following reasons:

1. Consumer buying takes place in situations of less-than-perfect information on product quality, price, and availability.
2. Consumers are driven by their habit in many of the purchases.
3. Consumers’ individual motivations, perceptions, attitudes, values, and beliefs are different and these have heavy influences on their choices.

**Passive man model:** The passive man model views consumers as incapable of making purchase decisions and totally submissive to the aggressive selling efforts of the marketer. This model perceives consumers as impulsive and irrational. This model is followed by salespersons who heavily believe in the art of salesmanship. This model also does not reflect the reality of modern man who goes through a comprehensive information search and evaluation process before making their purchase intensions.

**Cognitive man model:** The cognitive man model presents a consumer as a thinker who uses his/her thinking process to solve his/her problems. This model views a consumer as actively seeking information and actively involved in identifying products and services that meet his/her needs and solve his/her problems. This model is more realistic as researches conducted across various countries have suggested that consumers often actively search and process information, develop their own perceptions, build attitudes towards brands, and finally make their purchase intensions.

**Emotional man model:** The emotional man model views a consumer as a social being driven by positive and negative emotions. It believes that consumers are guided by emotions such as love, joy, hope, sexuality, fantasy, fear, embarrassment and many others in their purchase decisions. This model is heavily followed by the advertising community who try to deliver marketing communications with a touch of different emotions. This model may explain some of the consumers’ purchase decisions; yet fail to explain many purchases that are influenced by a variety of psychological, social, and cultural factors.

**UNIT 3**

**BEHAVIORAL DIMENSIONS OF INDIVIDUAL CONSUMER**

**INDIVIDUAL DETERMINANATS OF CONSUMER BEHAVIOR**

Psychological factors operating within the individuals determine their consumption behavior. Psychological determinants of consumer behavior include motivation, learning, perception, personality and attitude.

**CONSUMER NEEDS AND MOTIVATION**

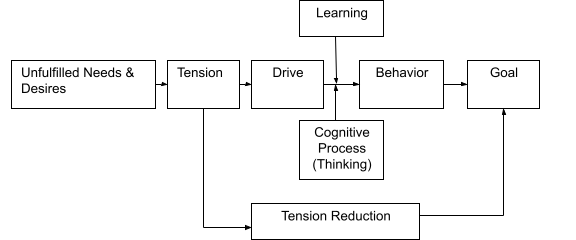
**Meaning**

Motivation is the reason for behavior. A motive is why an individual does something (Hawkins et. al, 2003: 355). Thus, a motive is an internal energizing force that directs an individual towards a goal. Motivation refers to an activated state within a person that leads to a goal-directed behavior (Mowen, 1990: 145).

There are two aspects of a motivating situation: a state or condition within the individual which stimulates for action, and a goal which acts as an incentive for the action. A consumer's actions are affected by a set of motives. Some of these motives are stronger than others. The relative strength of the motives also differs according to time and situation. For instance, an individual's motive for drinking a cup of tea is stronger in the morning than in the evening.

Motive arousal occurs when bodily tensions are felt by an individual which induce the individual to undertake actions that reduce the tension. Motive arousal may result out of physiological, psychological and social needs, external environmental stimuli and an individual's fantasy.

**FIGURE: PROCESS OF MOTIVATION**



**Types of Consumer Needs**

Consumer motivation is a very widely researched area in marketing. Researches have provided a very wide perspective on consumer needs and motives: the reason why a consumer buys something. Motives have been classified in different ways.  Traditionally consumer needs and motives have been classified in terms of whether they are biogenic or psychogenic, rational or emotional, conscious or unconscious, and positive or negative.

1. **Biogenic and Psychogenic Motives:** Biogenic or physiological motives are directed at satisfying the biological needs of a consumer such as hunger, thirst, sleep, sex, and avoid pain. Every individual feels these motives. The psychogenic motives are learned from the society through interactions, education, and media exposures. Psychogenic motives can be love, belongingness, prestige, image, ego, and overcome fear.

1. **Rational and Emotional Motives:** Rational motives are driven by some logic and involve consideration of economic result of the purchase decision. Product durability, price, and serviceability are rational motives. Emotional motives are driven by consumers’ psychological and social settings and include motives for love, to attract opposite sex, to preserve ego, to enhance self-image, to be different and many others.

1. **Conscious and Unconscious Motives:** Conscious motives are those motives of which the consumer is fully aware of and are also able to explain the reason for the motive. Consumers can explain most of the rational and some of the emotional motives. In case of unconscious motives, consumers are either unaware or unable to explain the reason for the motive. For example, consumers cannot explain the reason for the choice of colors of a product.

1. **Positive and Negative Motives:** Positive motives attract consumers towards the goals while negative motives drive then away from the goals. For example, hunger, thirst, sex, love, and curiosity drive the consumer towards the goal (products or person), while fear and pain drive them away.

**Motive Arousal**

The arousal process explains how a consumer becomes aware of the needs that lead him/her to a motivated action. There are several sources of arousal that may work individually or combined. These sources are: physiological, cognitive, situational, and stimulus related.

**Physiological Arousal**

Physiological arousal results from an imbalance in the physical condition of an individual due to the biological process. Hunger, thirst, sleep, and sex needs get aroused due to a natural process. A consumer’s past experience lead him/her to actions that reduce the intensity of the need related tension.

**Cognitive Arousal**

Cognitive activity of a consumer is related to his/her thinking and reasoning process. Consumers often think and fantasize about products and people. This thinking is mostly on ungratified needs. An ungratified need is always a source of motivation. Thus, cognitive arousal is a direct result of a consumer’s mental activity.

**Situational Arousal**

A particular situation in the environment may trigger a category of motives. Cues that appear in the environment in the form of advertisements or products are sufficient to motivate a consumer to take action. Situational factors also make a consumer realize an imbalance between his/her actual state and desired state.

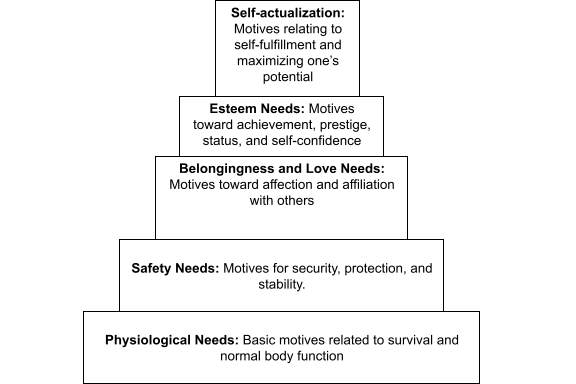
**Stimuli Related Arousal**

Certain properties of the stimulus such as novelty, aesthetic looks, colors, and packaging draw attention of the consumer to the stimulus. Curiosity and natural desire for exploration often help in motivating the consumer to an action.

**System of Consumer Needs**

Abraham Maslow presented the theory of motivation in 1954. Maslow explained why people are driven by particular needs at particular times (Maslow, 1977: 46-77). According to Maslow human needs are arranged in a hierarchy, from the most pressing to the least pressing. He has listed five categories of needs: *physiological needs, safety needs, social needs, esteem needs and self-actualization needs.*

**MASLOW’S NEED HIERARCHY**



According to Maslow, physiological needs are the basic needs for survival and include need for food, drink, shelter, sleep and sex. Safety needs include need for physical, economic and social security. Belongingness and love needs (social needs) include the need for affection, relations between individuals, and a place in the family and society. Esteem needs are associated with a desire to achieve high status among one's peers and includes need for mastery, reputation, prestige and high social image. Self-actualization is the desire to achieve the highest point of one's capabilities and includes a desire to travel, know and understand.

The hierarchy suggests that each higher level motive is not activated and functional unless the lower level needs are fully satisfied. For instance, a hungry man would not care about wearing expensive clothes. It also suggests that until motives in each category are fully satisfied, they continue as a source of motivation.

Maslow's model has certain shortcomings. For instance, individuals do not always move in the hierarchical manner for satisfaction of their needs. A person who has met all of his/her safety needs may strive for esteem needs. Contrary to the model, a person may move toward the satisfaction of several levels of needs at the same time. Moreover, the demarcation line among levels of need is not precise and clear.

**PERSONALITY**

**Meaning and Characteristics**

The word personality has been derived from the Latin word “persona” which means “actor’s face mask”. In a sense, the individual’s personality is the mask worn by the person changes from one situation to the other situation during his/her lifetime. Personality is the most widely researched subject in psychology. It has been studied from different approaches, which has generated at least 50 different definitions of personality.

Personality, from the consumer behavior viewpoint is ***“the distinctive patterns of behavior, including thoughts and emotions that characterize each individual’s adaptation to the situation of his or her life”*** (J.C. Mowen). According to Harold Kassarjian personality is defined as ***“consistent pattern of responses to the world that impinges upon the individual from both internal and external sources”.***

The study of personality involves the analysis of how the patterns of behavior of one individual differ from another. When a person is described as having a type of personality, it means, the person acts in ways which differentiate him/ her from others.

The personality has the following characteristics:

1. **Consistency:** A person’s behavior must show some degree of consistency. If the person shows different response tendencies to different stimuli the person does not have a personality.
2. **Distinctiveness:** The person’s behavior or response tendencies must be different from other people. A personality characteristic cannot be shared by all consumers.
3. **Interaction with the situation:** The person’s personality should interact with the purchase situation reflecting in the choice of products.
4. **Dynamism:** Although personality tends to be consistent and enduring, it may change due to major life events, such as accidents, death of a family member, career promotions etc.

**Importance of Personality in Marketing**

**]**

**Product Symbolism**

Consumers hold different images of products or brands. These images communicate certain meaning to those who purchase them. Consumers are found to match the product or brand image to their self-concept. Consumers do this through the following process:

1. Consumers form their self-concepts through psychological development and social interactions.
2. The self-concept is considered to be valuable by a consumer. Therefore, his/her actions are directed at protecting and enhancing the self-concept.
3. Consumers also perceive that products and brands too have images.
4. Consumers protect and enhance their self-concept through the use of products and brands that are in congruence with their self-concept.

**Measurement of Self-concept and Product Image**

The self-concept is a very important concept in marketing that has strong relevance in product development and positioning. In order to use this concept the marketer should be able to measure both consumers’ self-images and product or brand images. The measurement tools used for a match in self-concept and brand images is built through the scaling technique on several dimensions related to self-image and brand image.  For example, in the study of products that are personally used by consumers (shampoo, deodorants, and perfumes) the self-concept and brand images can be measured on the following eight dimensions:

1. Rugged - Delicate
2. Exciting - Unexciting
3. Dominating - Submissive
4. Pleasant - Unpleasant
5. Youthful - Mature
6. Sexy - Reserved
7. Sensitive- Insensitive
8. Rational – Emotional

The data is analyzed through the discrepancy method. It is a method of determining "how close" one perceives each brand image to one’s self-image. Here, it is referred to as the D measure and is represented as:



Dkj = n

**Σ** ( Sij - Pij ) 2

    I=1

Where, Dkj = the overall linear discrepancy between the jth consumer's self-image and her perception of the image of the Kth brand.

I =   the specific image component used to assess both brand and self- image

S ij = the jth consumer's self-perception on the ith image component

P ij = the jth consumer's brand perception on the ith image component.

**Personality Theories**

The personality theories relevant to consumer behavior are psychoanalytical theories, trait theory, and self concept theories.

**Psychoanalytical Theories**

**Freudian Theory**

The psychoanalytical theory developed by Sigmund Freud believes that human personality results from a dynamic struggle between inner physiological drives (sex, hunger, aggression etc.) and social pressures to follow laws, rules and disciplines, ethical and moral codes. According to Freud, the personality is the result of the three forces: Id, Ego and Superego.

1. **Id:** The Id is present in the individual from the time of his birth. It is the storehouse for all physiological drives, including the sex drive (libido) which impels the individual to take some action. Id seeks immediate satisfaction for the physiological drives and it operates on the hedonistic (pleasure seeking) principle.
2. **Superego:** It is the internal representative of the traditional values learned from family and society. It is formed during the middle childhood through the process of copying the behaviors of other people. It operates on the moralistic principle and operates as “brakes” on the strong impulsive forces of Id.
3. **Ego:** The ego begins to develop as the child grows. It is the balancing force between the strong hedonistic forces of Id and the moralistic forces of superego. Ego allows the individual to function effectively in the world. Ego stands for “ reason and good sense” and operates on the reality principle always motivating the individual to act practically.

**Neo-Freudian Theories**

Several of Sigmund Freud’s colleagues disagreed with Freud’s emphasis on the sexual drives playing the dominant role in personality development. They advanced their own theories, which as popularly known as the neo-Freudian theories. The neo-Freudians believed that social relationships are fundamental to formation and development of personality.

Alfred Adler viewed the basic drive of human being as overcoming feelings of inferiority ( strive for superiority). Harry Stack Sullivan emphasized on the individual’s need to reduce anxiety by establishing significant and rewarding relationships with others. Karen Horney also emphasized on the anxiety factors and focused on the impact of child-parent relationship. Horney proposed that individual be classified into three personality groups: compliant, aggressive and detached. Compliant individuals move towards others, they desire to be loved, wanted and appreciated. Aggressive individuals move against others, they desire to excel and win admiration. Detached individuals move away from others, they desire independence, self-sufficiency and freedom from obligations.

**Trait Theory**

Trait is any characteristics in which one person differs from another in a relatively permanent and consistent way. Trait theory attempts to classify people according to the presence of the dominant characteristics or traits. Edward’s Personal Preference Schedule lists 15 personality traits.

1. ***Achievement:*** To do one’s best, accomplish tasks of great significance, do things better than others, be successful and be a recognized authority.
2. ***Deference:*** To get suggestions, follow instructions, do what is expected, accept leadership of others, conform to custom and let others make decisions.
3. ***Order:*** To have work neat and organized, make plans before starting, keep files, have things arranged to run smoothly and have things organized.
4. ***Exhibition:*** To say clever things, tell amusing jokes and stories, talk about personal achievements, have others notice and comment on one’s appearance and be the center of attention.
5. ***Autonomy:*** To be able to come and go as one pleases, say what one thinks, be independent in making decisions, feel free to do what one wants, avoid conformity and avoid responsibilities and obligations.
6. ***Affiliations:*** To be loyal to friends, do things for friends, form new friendships, make many friends, form strong attachments and participate in friendly groups.
7. ***Intraception:*** To analyze one’s motives and feelings, observe and understand others, analyze motives of others, predict their acts and put one’s self in another’s place.
8. ***Succorance:*** To be helped  by others, seek encouragement, have others feel sorry when sick and have others be sympathetic about personal problems.
9. ***Dominance:*** To be a leader, argue for one’s point of view, make group decisions, settle arguments, persuade and influence others and supervise others.
10. ***Abasement:*** To feel guilty when wrong, accept blame, feel need for punishment, feel timid in presence of superiors, feel inferior and feel depressed about inability to handle situations.
11. ***Nurturance:*** To help friends in trouble, treat others with a kindness, forgive others, do small favors, be generous, show affection and receive confidence.
12. ***Change:*** To do new and different things, travel, meet new people, try new things, eat in new places, live in different places and try new fashions.
13. ***Endurance:*** To keep at a job until finished, work hard at a task, keep at a problem until solved, finish one job before starting others and stay up late working to get a job done.
14. ***Heterosexuality:*** To go out with opposite sex, be in love, kiss, discuss sex, become sexually excited and read books about sex.
15. ***Aggression:*** To tell others what one thinks of them, criticize others publicly, make fun of others, tell others off, get revenge and blame others.

Similarly, Cattel has identified the following 16 personality traits:

1. Reserved vs. Outgoing 2. Dull vs. Bright

3. Unstable vs. Stable 4. Docile vs. Aggressive

5. Serious vs. Happy-go--lucky 6. Expedient vs. Conscientious

7. Shy vs. Uninhabited 8. Tough- minded vs. Tender- minded

9. Trusting vs. Suspicious 10. Practical vs. Imaginative

11. Unpretentious vs. Polished 12. Self- assured vs. Self- reproaching

13. Conservative vs. Experimenting 14. Group-dependent vs. Self-sufficient

15. Undisciplined vs. Controlled 16. Relaxed vs. Tensed

**Self Concept or Self Image Theory**

According to Morris Rosenberg the self-concept represents the “ totality of the individual’s thoughts and feelings having reference to himself as an object”. It is the perception of one-self which forms part of the basis for the personality. Self concept helps a person to maintain his or her self--esteem and gives the person predictability in interactions with others. Very often, the image people have about themselves may dictate specific behavior patterns.

The self image psychology is important in marketing because it is believed that consumers choose products that are consistent with their perceptions of themselves and reject those which are incongruous with them. On the other side, purchased products also contribute to the development of the consumer’s self-image.

**Types of Self Image**

Individuals have six types of self image:

1. Actual self: How a person actually perceives one-self.

2. Ideal self: How a person would like to perceive one-self.

3. Social self: How a person thinks others perceive him or her.

4. Ideal Social self: How a person would like others to perceive him or her.

5. Expected self: An image of self somewhere between the actual and ideal self.

6. Situational self: A person’s self-image in a specific situation.

**Life Style Theory**

Life style analysis or psychographics is a consumer research which has been widely adopted by marketing practitioners and academic consumer researchers. Life style is defined as the patterns in which people live and spend time and money. Live style is concerned with the overt actions and behavior of consumers.

Life style analysis consists of a number of statements designed to collect relevant aspects of consumer’s personality, buying motives, interests, attitudes, beliefs and values. Life style variables are mainly focused on three aspects of the consumer’s life:

1. ***Activities:*** how a consumer spends time working, with hobbies, vacations and sports.
2. ***Interests:*** what are the consumer’s preferences and priorities in terms of home, jobs, fashion interests, food habits etc.
3. ***Opinions:*** how a consumer feels about a wide variety of events and issues such as politics, religion, education, opposite sex, future etc.

Based on the life style analysis of the consumer life-style categories are drawn and a name given to each category for designing specific marketing strategy for each specific life-style group. The life-style categories are different from one product to the other.

**CONSUMER PERCEPTION**

**Meaning and Importance**

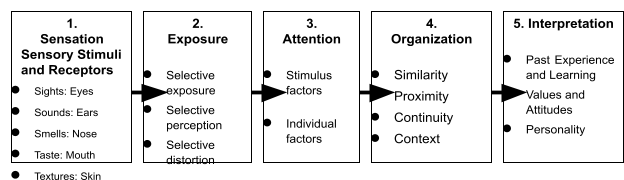
Perception refers to the process whereby stimuli are received and interpreted by the individual and translated into response. It is the process through which individuals are exposed to information, attend to information and comprehend the information.  According to Schiffman and  Kanuk , perception is ***“the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world” or in brief, it means “ how we see the world around us”.***

Products and services are not purchased simply for their functional utilities but also for the social and psychological meanings they convey. For instance, people buy clothes not only to hide nakedness or to keep warm, but also to enhance their self-image, status and prestige. Thus, it is important for the marketing executive to be aware of the perceptions of his customers and potential customers on various aspects such as perception of themselves, their social worlds and the products available to them.

**Process of Perception**

The perceptual process has several components such as sensation, exposure, attention, stimulus organization, and interpretation.

**THE PROCESS OF PERCEPTION**



**1. Sensation**

Perception begins when stimuli are detected by sensory organs (eyes, ears, nose, mouth, and skin). The result of this detection is called sensation. The sensory organs may function individually or in combination. Thus, perception begins when we;



Sensation explains the process of exposure to the stimuli, i.e., it begins before an individual attends, comprehends or interprets the stimuli. In sensation, patterns of energy (light, sound, odor etc.) known as stimulus reach the sensory receptors. Each receptor transforms the energy to the brain in the form of nerve impulses resulting in the sensation of sight, sound, smell, touch and taste. The central nervous system of an individual possesses a vast capacity to transmit information about numerous energy variations to the brain.

Sensation depends on the characteristics of the objects, relationship and events. Sensation depends on the threshold level - the intensity of stimulus energy required to activate various sensation levels. Threshold determines whether or not exposure to the stimulus takes place. There are three threshold levels:

**a. Lower or Absolute Threshold:** It is the minimum amount of energy required for any detection of sensation. This is the minimum of sound, sight, or smell required for sensation. Individual cannot get exposure to the stimulus below this level. This threshold is found to differ substantially among individuals and also change from one time period to the next.

**b. Differential Threshold:** This refers to the smallest increment in stimulus intensity required to produce a perception of change. This is the point at which change is detected by the individual. This is the minimum difference or Just Noticeable Difference (JND) that can be detected between two stimuli.

**c. Terminal Threshold:** It is the point at which additional increase in stimulus intensity has no effect on sensation.

**2. Exposure**

Individuals are constantly exposed to numerous stimuli every minute, every hour of everyday. Among these stimuli only few are perceived while others are not even noticed. The human mind has a protective shield to ward off the heavy bombardment of stimuli in the environment. Three types of selectivity are in operation during the perceptual process.

**a. Selective Exposure:** Individuals are selective as to which stimuli they recognize. They subconsciously exercise selectivity as to which aspects of the stimuli they perceive.

**b. Selective Retention:** Individuals remember only a few stimuli of the many noticed by them. Stimuli that support personal feelings, beliefs and attitude are retained by the individuals for a longer duration.

**c. Selective Distortion:** Individuals often change or twist currently received information to suit their overall world view.

**3. Attention**

Attention refers to the extent to which an individual undergoes processing of information. Some stimuli force us to pay attention. Contrast, movement, size, loud sounds, and bright colors are some examples. Some of the gimmicks used in radio to draw attention to the commercial programs are such things as voice modulations, telephone rings, bells, whistles, animal noises, clapping hands, trains and motors, screaming children, and finally ultimate silence.

Attention is affected by the characteristics of the stimulus and the physical and mental state of the recipient.

**a. Stimulus Factors**

Stimulus factors are derived from the nature of the stimuli and the effects they evoke in the nervous system of the individual. The role and importance of needs, moods and expectations in perceptual process is important, but here more emphasis is given on physical characters such as size, color, position, novelty, and humor.

1. **Size:** The size of the stimulus determines whether it will receive attention of the viewer. Print and display advertisements are deliberately put in larger sizes in order to catch viewers’ attention.
2. **Color:** Color is a powerful tool to draw attention of viewers. Bright colors such as red, yellow, and blue attract more attention than dull colors such as pink, violet, and green.
3. **Position:** Stimulus which are at the eye-level of the viewer has more chances of being noticed than those placed on the top or bottom. In newspapers and magazines, advertisers select spaces at the top right hand corner of a page mainly because this position has the highest attention value.
4. **Novelty:** Stimulus that are new to the viewer or that which appears suddenly has the highest attention value. Unusual objects, unusual position, and unusual sounds catch peoples’ attention. Marketers deliberately select unique brand names for their product because it has higher perceptual value.
5. **Humor:** Humor has a very strong value in attention. Advertisers use a lot of humor through use of jokes and slap-stick-comedy to gain viewers’ attention.

**b. Individual Factors.**

Besides the physical factors, perception also depends upon the individual factors.Some important personal factors are explained by perceptual vigilance, perceptual defense, and adaptation.

1. **Perceptual vigilance:** Consumers are more likely to be aware of stimuli that relate to their current needs. The influence of needs as a factor in perception has been clearly demonstrated in a number of experiments. For example, pictures of food flashed on a screen for a very short period of time was more readily recognized when subjects were hungry than when they were not hungry. In a similar study, 189 incomplete words such as S....AK, E....CY, were presented to twenty six obese men who were to undergo a starvation diet. The men made more food-related responses than average people. Psychological needs also influence perception in a similar manner. The influence on perception of such needs as status, dominance, love, esteem is indisputable.

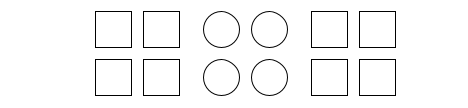
1. **Perceptual defense:** Perceptions do not occur in an unorganized state. We perceive only those things that make sense within context of our cognitive structures. On one hand, we screen out message we do not want to perceive, on the other hand, we distort, modify, and often add elements so that very often we see what we want to see. For example, in an unusually rough and emotionally charged football match the fans of both teams sitting at the stadium see two different games.  This happens, because out of the entire occurrence in the environment, each fan selects those events that have significance for him/her.

1. **Adaptation:** When a particular stimulus constantly appears consumers are likely to be so familiar with it that they may not even notice it. The consumer becomes habituated with the stimulus and may require a higher dose of the stimulus in order to notice it.

**4. Perceptual Organization**

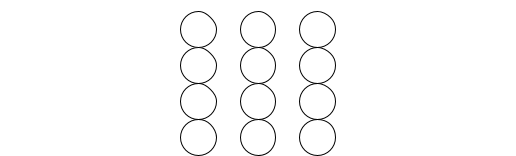
Perceptual organization refers to the process for transforming sensation into meaning. This stage also involves the stimulus encoding process. In stimulus encoding, the consumer uses words, numbers, or pictorial images to interpret and give meaning to the stimulus. Consumers’ encoding process is influenced by several such as similarity, proximity, continuity, and context.

**Similarity:** One of the major stimulus factors is similarity. Other things being equal, similar things tend to be perceived as belonging together. For example, all people with long hair and beard are perceived as philosophers. A simple diagram may clarify the principle of similarity.

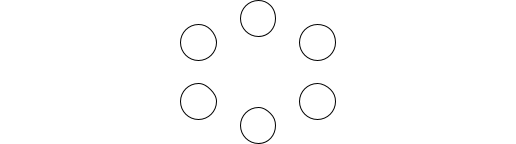


Most people, when asked what they see in the figure respond with two sets of four white squares and one set of four dots. Seldom will people see two horizontal lines, each line consisting of squares and dots.

**Proximity:** Other things being equal, things near each other tend to be perceived as belonging together. For example, in the figure the used perception is three columns of four dots rather than four rows of three dots.



**Continuity:** Stimuli that form a complete or symmetrical figure or good form tend to be grouped as part of a whole. The figure is usually perceived as hexagonal object rather than three rows of two dots each. In fact, our need for good form is so great that we may even supply elements in order to achieve closure to perceive a meaningful whole.



**Context:** The context, the environment of selling an object, often determines how an object will be perceived. A classic example found in most psychology textbooks is the reversible figure and background. If the background is perceived as black, the figure is a vase or a goblet; if the background is perceived as white the figure is two black profiles.

**4. Interpretation**

Interpretation process involves assigning meaning to the stimulus and synthesizing.  This process is influenced by many other factors such as past experience and learning, personality, and values and attitude of the consumer.

1. **Past Experience and Learning:** Past experience and learning help the individual to classify the stimulus received by the sensory receptors. Past influences are retained in the consumer’s long-term memory. These past influences are activated by the process of sensation which helps the individual to provide a category of meaning to the stimulus.
2. **Personality:** Personality of an individual as reflected in the self-image or self-concept affects how an individual perceives an event, object or relationship. Different individuals with different personality traits are found to perceive the same situation differently.
3. **Values and Attitudes:** Values and attitudes of an individual toward certain object, event and relationship considerably affect his/her perception. Research has shown that important values influence the speed of recognition for value related words. This form of selective attention is called perceptual vigilance. The opposite of perceptual vigilance is perceptual defense, whereby, the low valued stimuli are perceived slowly or are avoided altogether. This explains to some extent as why certain advertisements are noticed by individuals while others are ignored.

**CONSUMER LEARNING**

**Concept and Types of Learned Behavior**

The experimental psychologists consider learning as the fundamental process in human behavior. Learning refers to a more or less permanent change in response tendencies and behavior which occurs as a result ofpractice or experience. Most of the consumer's overt behavior is learned responses to the stimuli present in the environment. Learned behavior can be classified into the following categories.

1. **Physical learning:** Most of the human being’s physical behavior such as walking, running, talking, and interacting with others is learned. Consumers also learn to respond to different purchase situations.
2. **Symbolic learning:** Under symbolic learning consumers learn to use symbols such as brand names, logos, slogans to differentiate one product from the others. Symbolic learning occurs from the thinking process of consumers.
3. **Problem solving learning:** Consumers face numerous problems in their daily-lives. They engage in physical as well as mental activity to solve those problems. As they consume and use products to solve their problems they learn as what product or brand solve their problem and which ones don’t.
4. **Affective learning:** Under affective learning consumers learn to develop positive and negative attitude towards products, services, and people. Affective learning is formed by a consumer’s experience with a product as well as by social influences.

**Importance of Consumer Learning in Marketing**

The major implications of the consumer learning are in the areas of brand loyalty, brand equity, and store patronage.

1. **Brand Loyalty:** Brand loyal behavior of a consumer is based on the learning theory. Behavioral loyalty is expressed either in terms of repeat purchase behavior of customers or the share of the brand in the total purchase of the customer. In other words, it relates to how often do customers purchase the brand and how much do they purchase? The life time value of behavioral loyalty is enormous. The endorsement value of behavioral loyalty is an added benefit to the company.
2. **Brand Equity:** The brand equity is one of the most powerful concepts in marketing that evolved in the 1980s. Brand equity refers to the value inherent in a well-known brand name. It is one of the major intangible assets of a firm. Brand equity has monetary value and can be rented (licensing and franchising) or sold to another firm. Brand equity generates value to customers and provides the firm a space to adopt premium pricing and develop enhanced brand loyalty.

1. **Store Patronage:** Store patronage or store loyalty refers to a consumer’s inclination to purchase from a particular store over a period of time. Store loyalty is a very important aspect in retail business as it generates consistent revenue and projects favorable store image. Store patronage is affected by behavioral as well as cognitive factors. From the behavioral perspective, when a consumer tries a retail store and is satisfied by its location, product and service offers, atmospherics, and personnel he/she is likely to develop store loyalty.

**Consumer Learning Theories**

Various theories have been developed over the years to explain the learned behavior of man. These theories have been grouped into two categories: behavioral theories and cognitive theories. The behavioral theories make a connection between the stimulus and response while cognitive theories are based on the thinking and problem solving process.

**Behavioral Theories**

Behavioral theorists maintain that learning is formed by a connection between a stimulus and some response to it. Thus, learning is considered to be an associative process. The S-R relationship suggests that for learning, there must be a stimulus or a situation affecting the individual and a response by the individual. Advertisements are mostly built on the S-R model. Advertisers believe that repetitionof the advertisement develops several S-R bonds between exposure of the advertisement (stimulus) and consumers' reaction (response), which results in higher brand awareness and enforcement.

The S-R model although popular among advertising agencies, was not adequate to explain other forms of consumer behavior. Experimental psychologists added the concept of reinforcement to the learning model. The concept explains that unless there is reinforcement of the experiences of the consumer, learning does not take place. There are two types of behavioral theories: classical conditioning and instrumental conditioning.

**Classical Conditioning:** The classical conditioning theory is based on the experiments of Ivan Pavlov over a dog’s readiness for food (response) to the ringing of a bell (stimulus). Pavlov rang a bell each time before feeding the dog and soon he was able to induce the dog to salivate (readiness for food) by just ringing the bell. Through this experiment it was concluded that when a stimulus (unconditional) paired with another stimulus (conditional) is used to elicit an unconditional response the same response can be expected with any of the two stimuli. When repeated over time the conditioned stimulus can elicit conditioned response. Thus, the classical conditioning approach to learning is based on the reflex action learned over time.

Recent conditioning theory views learning as a cognitive associative process based on acquisition of new knowledge about the world. Consumers are seen as information seekers and conditioning is viewed as a consequence of exposure to events in environment. Classical conditioning theory has given three important concepts of great value in formulating marketing strategies: repetition, stimulus generalization, and stimulus discrimination.

1. **Repetition:** When a stimulus is repeated several times it forms a stronger bond between the stimulus and response. Repetition also helps in remembering the stimulus. This concept is widely used in advertising. Advertisements are repeated several times so that consumers do not forget the message.

1. **Stimulus Generalization:** According to the stimulus generalization principle learning helps to build the ability of individuals to generalize situations. Pavlov found that he was able to induce the dog to salivate by the sound of jangling keys instead of the bell. This principle has helped marketers in their brand extension strategies. When a new product is introduced under an old brand name consumers view the new product as equal to the old product. The concept is also useful for marketer of ‘me-too-products’ who generally imitate the market leader’s products.

1. **Stimulus Discrimination:** The principle of stimulus discrimination moves opposite to the principle of stimulus generalization. According to this principle individuals are able discriminate one stimulus from the other. Marketers implement their product differentiation and positioning strategies on this principle.

**Instrumental Conditioning:** The instrumental or operant conditioning approach to behavioral learning is based on the works of B.F. Skinner.  According to this theory most of an individual’s learning occurs in a controlled environment in which individuals are rewarded (reinforcement) for selecting appropriate behavior.

Skinner’s work was based on experiments over rats and pigeons. In his experiments, skinner rewarded the subjects with food if they chose appropriate actions. Through this process he was able to cultivate desired behavior on his subjects. Thus, this theory maintains that for effective learning there must be reinforcement when an individual responds to a stimulus. Reinforcement can be positive as well as negative. Both type of reinforcements lead to some form of learning. In marketing both positive and negative reinforcements are used in communications. For example, the use of Fair & Lovely face cream is associated with beauty and confidence (positive reinforcement) while the use of Colgate toothpaste is associated with prevention of tooth decay (negative reinforcement).

**Cognitive Learning Theory**

Cognitive learning theory maintains that learning is a part of the mental process rather than simple repetition. According to cognitive theory individual learns through the thinking and problem solving process. There are two approaches to the cognitive learning theory: information processing and observational learning.

1. **Information Processing Theory:** The information processing approach views individuals with a vast capacity to receive and process information. Consumers process product information by product attributes and brands, and are capable of comparing attributes and brands of different manufacturers. They are also able to gather more information from internal (memory) and external (environment) sources if they need to clarify their attribute and brand preferences. Consumers also form their brand imagery based on attributes and benefits associated with each brand. Consumers gain more brand knowledge from their experiences. From this process, a consumer is likely to increase his/her cognitive ability to differentiate between different products, situations, and event. Thus, this approach views learning as a function of an individual’s ability to gather and process information.

1. **Observational Learning:** Observational learning theory point out that learning can take place without personal experience of an individual. Individuals can learn many things through the experiences of other people. They call this method the vicarious learning or observational learning. This approach to learning has given rise to the concept of modeling in which spokespersons are used to communicate messages and behavior to consumers. Consumers simply imitate the behavior of the spokesperson to respond to a stimulus.

**Comprehensive Learning Theory**

The current model of learning is based on the four central concepts: *drive, cue, response and reinforcement.*

1. **Drive:** A drive results out of stimulation and activation of a need. A drive or a motive is the strong stimuli internal to the individual which impel action. Drives can be primary as well as learned. Primary or physiological drives include hunger, thirst, sleep, sex, avoid pain etc. Learned or social drives include love, hate, fear, cooperation, associativeness etc.

1. **Cue:**Cues are weaker stimuli present in the environment. A drive is very general in nature. The cues direct the drive towards the products which are drive-reducing. Thus, cues determine how an individual responds when a drive arises. The advertisement of a cold-drink or the product itself can work as a cue for a thirsty person.

1. **Response:** The response is the person's reaction to the cues in relation to certain drive. Response can be positive as well as negative.  Positive response results in trial of the product and negative response lead the person to search for other alternative drive reducing products.

1. **Reinforcement:** Reinforcement is associated with the experience of positive response to a product. If the experience has been rewarding, the particular response is reinforced. Reinforced response has a tendency to be repeated when the same drive arise and is supported by the same set of cues. Continuous response-reinforcement leads to learning and establishment of a habit.

**CONSUMER ATTITUDE**

**Meaning and Nature**

Attitude is an organization of concepts, beliefs and motives associated with a particular object or idea. It is defined as ***“learned predisposition to respond in a consistently favorable or unfavorable manner to a stimulus”***. Based on this definition, the attitude has the following components:

1. ***Attitudes are learned:*** *Attitudes develop out of the learning process as a result of direct experiences, information acquired from others, and exposure to mass media.*
2. ***Attitudes have consistency:*** *Attitudes are relatively consistent with the behavior it reflects. However, attitudes are not permanent and subject to change in the long-run. Attitudes, are often influenced by situations.*
3. ***Attitudes are either favorable or unfavorable:*** *Attitudes are either positive or negative. Attitude can never be neutral.*

Behavioral scientists have recognized three dimensions of attitude:

1. ***Cognitive Dimension:*** It refers to information and beliefs about the object, people and situations.

1. ***Affective Dimension:*** It refers to feelings such as favorable or unfavorable,  likes or dislikes, good or bad, love or hate etc. This dimension is the stirred up psychological state of the individual.
2. ***Behavioral Dimension:*** It consists of potential readiness of the individual to respond to the stimulus according to his/her affective dimension. If the individual has negative attitude toward the stimulus he/she is potentially ready to attack, destroy or punish the stimulus. Whereas, if he/she has positive attitude he/she is potentially ready to help, reward, purchase and recommend to others.

**Important Functions of Attitude**

Daniel Katz has identified the following four functions of attitude:

1. ***Utilitarian Function:*** This refers to the concept that people express feelings in order to obtain certain outcomes and avoid others.  For instance, a salesperson has learned that making positive comments to a client (expressing favorable attitude) is more likely to result in a positive reinforcer (making a sale). Attitude has the utility function to reduce the search time for the consumer if he/she has positive attitude toward a product or service.
2. ***Ego-defensive Function:*** Attitude is frequently used by individuals to defend their self-image by projecting feelings of inferiority onto others and thereby,  enhancing ego by an attitude of superiority over other people. It is used by individuals to protect oneself from basic truths and harsh realities of the world. Attitudes are used by individuals as defensive mechanism.

1. ***Knowledge Function:*** Attitudes serve as standard or frame of reference in search of meanings, the need to understand, need for clarity, consistency and a better organization of concepts. Attitudes help an individual to reduce needs and tensions by giving some meaning to a new situation in the environment.
2. ***Value Expressive Function:***  Many behavioral scientists consider attitude to emerge from a person’s central value system. Attitude serve the person to express his/her values in relevant situation.

**Attitude Theories and Models**

**Congruity and Balance Theory**

According to the Congruity and Balance Theory, attitude do not exist in isolation. Attitude results from an individual’s consistent tendency to maintain balance and resist change from external influences. The internal dimensions of attitude - cognitive, affective and behavioral - also exist in balance. Individuals have a strong basic need to maintain consistency and balance for which they possess a set of abilities   to screen reality to suit their needs. Individuals use the balance mechanism to resist changes. These balance mechanisms are internal consistency and cognitive dissonance.

**Internal Consistency:** Milton Rosenberg (1965) asserted that most individuals cannot tolerate in inconsistency or imbalance between the affective and cognitive dimensions of attitude. Rosenberg’s model does not focus on behavioral dimension mainly because he sees behavioral dimension as a direct result of the cognitive and affective dimensions. According to Rosenberg, when the affective and cognitive dimensions achieve consistency, the attitude stays in a stable state and persists over time.

There is a tolerance limit for inconsistency, and the attitude will become unstable and undergo reorganization when this limit (threshold) is exceeded. New information from credible sources challenges previous beliefs about the object or concept. In this situation reorganization will take place until a balance is once again restored through one of the following mechanisms:

(a) Rejection of the new environmental inputs (information) that caused inconsistency;

(b) Fragmentation or splitting of attitude so as to isolate mutually inconsistent cognitive and affective dimensions; and

(c) Some sort of accommodation so that a new attitude emerges with internal stability.

**Cognitive Dissonance:** Leon Festinger (1957) developed the cognitive dissonance theory of attitude. According to this theory, individuals have expectations about their own behavior. Rationality is central in most individual’s self-image as few people willingly recognize themselves as irrational. All individuals try to appear consistent to themselves and try to remove all inconsistencies. When new information fits comfortably with the current perceptual patterns individuals are in a state of consonance. When contradictory information or evidence is encountered the individual enters a psychological state of discomfort called cognitive dissonance- the imbalance between two or more cognitions (feelings). This state produces a tension or drive to reduce the dissonance. Festinger suggested that an individual may reduce dissonance in three ways:

(a) Changing a behavioral cognitive element by changing behavior, attitude or opinion so that a consonance is achieved;

(b) Changing the environmental cognitive element by modifying the new information to conform to the existing attitude; and

(c) Adding new cognitive elements by seeking new information that decreases the present discomfort resulting from dissonance.

**Structural Models of Attitude**

**Fishbein’s Attitude Model**

Martin Fishbein (1963) developed an attitude model based on whites’ attitude towards Negroes in USA. In this model the first component is belief. Belief is defined as the probability that an object does or does not have a particular attribute. The second component of the model is an affective term normally stated in terms of good or bad. Fishbein’s attitude model takes the following form:

Ao   =           bi  ai

where Ao = attitude toward the object

bi  = the ith belief about the object ( aggressive or non-aggressive)

ai  = evaluation of the belief ( good or bad)

n   = the total number of beliefs

According to this model attitudes (Ao) are a function of beliefs (bi) and the evaluative aspects of the beliefs (ai). The attitude is thus a product of beliefs multiplied by the evaluative criteria. Fishbein measured both beliefs and evaluative criteria on a five point scale.

**Fishbein’s Behavioral Intention Model**

Fishbein along with his colleague Azen (I977) realized that attitude toward the object (Ao)  was a limited concept since it does not lead to behavior. Fishbein substituted Ao with Ab which is attitude toward performing a particular behavior under a given set of circumstances. The second modification was to take explicit account of the norms governing behavior and a person’s motivation to comply with those norms which he called subjective norms.

Attitude toward performing the behavior is estimated by the following formula:

Ab  =      bi ei

where: Ab        = attitude toward performing the behavior

bi = belief that performing behavior (B) leads to consequence I

ei = the person’s evaluation of consequence I

n = number of beliefs

The second component of Subjective Norm represents an individual’s perception of what other people think he or she should do. Subjective norm is thus a function of the person’s beliefs about the expectations of reference groups and individuals and his or her motivation to comply with what they say. Subjective norm is explained by the following formula:

SN =      NBj MCj

where SN = Subjective norm

NBj = normative belief - the persons belief that reference group or       individual  j thinks the person should or should not perform     the behavior.

MCj = motivation to comply with the influence of referent j

n = number of relevant reference group or individuals

The behavior intention model thus was:

B almost equal to BI = w1 (Ab)  + w2(SN)

where: B = Overt behavior

BI = Behavioral intention

Ab = Attitude toward performing the behavior

SN = the Subjective norms

w1 and w2 = empirically determined weights

Ab and SN must be measured, whereas the weights reflecting the importance of these factors are estimated statistically through use of regression analysis.

**Attitude Formation and Change**

**Sources of Attitude Formation**

 An attitude may be developed without the person having specific beliefs about the object, such as the product or service, and without the person ever having bought the product. Attitudes may be formed through both classical and operant conditioning.

1. From the classical conditioning perspective, an attitude is a conditioned response that can be elicited by a conditioned stimulus. Advertisement often strives to create positive feelings through presentation of pleasing situations.

1. From the operant conditioning perspective, positively reinforced evaluations of the past are likely to reoccur while the punished evaluations are likely to be suppressed. The social reinforcement of attitudes can be a major factor in the formation of attitude.

1. Vicarious learning can also lead to direct formation of attitude. An individual can form attitudes from the experiences of others.

1. Another method of attitude formation is through repeated exposure with a stimulus. Often, people liking of the object may increase simply through mere repeated exposure of the product, advertisement etc.

**Attitude Change**

In marketing, a great deal of effort is made at consumer persuasion through personal selling and advertising. These efforts are directed at attitude and behavior change. Attitudes are essentially stable structures and cannot be easily modified. Attitude change depends on two factors: (i) strengths of the attitude (ii) and the persuasive communication.

**Attitude Strength:** One of the important factors influencing attitude change is the attitude strength. As a general rule, the probability of attitude change is most probable in the following circumstances:

1. **Size of stored information by the individual:** Attitude change is possible if the mass of stored information about the subject is small. In such circumstances the input of new information may have contribute to change of attitude in the individual.

1. **Centrality of attitude:** Attitudes having objects’ close relationship with the individual’s central value system and self-image are more resistant to change than general attitude related to perception. Attitude change is possible if the individual is not dogmatic or close-minded.

**Persuasive Communication:** Marketing heavily relies on persuasive communication for attitude change. Attitude change depends on the following communication related factors:

1. **Source of Communication:**  A trustworthy and credible information source is expected to produce attitude change. For this marketing firms use credible media for advertising their products. The use of reference group in advertising is also targeted at providing persuasive communication through credible source.

1. **Message content:** The content of the message influences attitude change. The persuasive message is more effective in attitude change than general informative message. Attitude change is noted to be higher when the individual is presented with both sides ( pros and cons) of the topic than presenting only one side of the story.

1. **Fear Appeals:** Janis and Feshbach’s classic findings revealed that a communication arousing least fear is most effective in achieving attitude change. It is assumed that a communication stressing the unfavorable consequences of not taking the suggested course of behavior can have adverse effect on attitude change if the fear appeal in the communication is too intense. Current researches on fear appeal, however shows contradicting results. Some of the recent studies have shown positive relationship between fear appeal and attitude change and increasingly, advertisers are using fear appeals in selling a variety of consumer products such as tooth paste( Colgate), deodorants etc.

1. **Repetition:** Repeating persuasive message to change attitude and behavior is very common in marketing. This is mainly because the human memory decays at high rate and the information presented in the advertisement may be forgotten by the consumer before the objective of attitude change is achieved.

**CONSUMER COMMUNICATIONS**

Communication is one of the basic human activities. All human beings need to communicate their thoughts with other people. People communicate their thoughts by conversation, written words, symbols, signs and pictures. Communication is the binding element for all social interactions. It is the process of exchanging information and feelings between two or more people. It is also the art of developing understanding between people.

The word communication is derived from the Latin word *communis,* meaning *common*, which indicates the use of symbols by people to share idea, attitude, or information so that meaning is held in common. A marketing firm attempts to communicate with the target audience so that its messages are ‘commonly’ understood by the audience.

Engel, Warshaw and Kinnear (1994) define communication as *“a transactional process between two or more parties whereby meaning is exchanged through the intentional use of symbols.”*

This definition implies that a communication is transactional where two or more parties are involved in exchanging their thoughts and ideas with a deliberate effort to bring about a response. The parties involved in communication use symbols such as words, pictures, music, and other sensory stimulants to convey their thoughts and ideas.

Most authors have viewed communication as a process. Communication is also defined as a *“process of transmitting, receiving, and processing information”.* (Clow and Baack, 2003). This definition implies that when a marketing firm attempts to transfer an idea or message, the target audience (customer) must be able to process that information effectively. Communication occurs only when the message is understood by the receiver in its intended form.

**Importance of Communication in Marketing**

The communication efforts within an organization are directed at two primary goals- *information and demand stimulation.* Communication provides valuable information to buyers about the product, its availability, prices, utilities and benefits. The information helps buyers to make a choice decision that favors the organization and its product. Communication also seeks to stimulate dormant needs of buyers.

The basic roles of marketing communication are to inform, persuade, remind and reassure the market about the product or the organization.

1. **Informing:** The primary task of communication is to inform the buyers about the product, its price, availability, utilities, and benefits. The information develops a better awareness among buyers on products, their attributes and utilities. This function is useful to stimulate the primary demand for a generic product.
2. **Persuading:** Marketing communication seeks to persuade buyers to make purchase decision in favor of a company or a brand. Buyers generally can not be convinced to buy a product merely through supply of information. Persuasive communication seeks to influence buyers' feelings, beliefs, attitudes and behavior so that they would favor the organization's product, whenever they make a purchase decision. Persuasive communication seeks to stimulate the secondary demand - the demand for the brands rather than generic products.
3. **Reminding:** Marketers believe that buyers have a short-lived memory and a limited capacity to remember brand and company names. They may forget the names unless they are constantly reminded about the product and the company. Thus, most marketing communications seek to constantly remind the buyers about the brand and/or company names.
4. **Reassuring:** Communication also plays the role of reassuring the buyers' on the quality and benefits of the product. This function of communication is very important in the post-acquisition phase of the buying process. It helps in reducing buyers' anxiety resulting from post-purchase cognitive dissonance. Marketers often provide reassuring communication to provide increased satisfaction from the use of the product. This often results in repeat purchase of the product and also in favorable communication about the product through word of mouth.

**Marketing Communication Process**

Organizations compete with each other to get buyers' attention to their communications. Buyers are exposed to hundreds of messages every day. Many of these are not even noticed by buyers. Some of them are noticed and perceived by buyers. Many of them are not remembered after five minutes. Only a few communications are noticed, perceived and remembered for a long time.

Marketers face the challenge to design more effective and interesting communication. Marketers need to be careful in every stage of the communication design and transmission process.

The following diagram shows the workings of a marketing communication system:

**THE COMMUNICATION PROCESS AND ELEMENTS**

***Field of experience of Sender Field of experience of Receiver***





***Noise               Cluttter Noise***      **Feedback**

**Source:** Communication begins with a source. The source is a person, group or organization that designs the communication message to be shared with the receiver or audience. The source or sender of the communication selects the target audience, arranges for the preparation of the message, selects the message delivery system and establishes the communication feedback system.

**Encoded Message:** The message is the idea together with other information such as image and attitudes that are transmitted to the target audience. Message design has to take into account several factors such as the advertisement objective, choice of media, the product's features, uses and benefits, and the demographic and psychographic characteristics of the target audience.

**Message Delivery System:** The encoded message has to be delivered to the receiver or audience through some medium. There are several communication vehicles available to the communicator. The message can be delivered through personal communication using salespersons. There are wide choices of print media, audio media, visual media, and audio-visual media.

**Decoded Message:** The receiver converts the messages into certain concepts and ideas based on his/her field of experience. This process is known as decoding the message. If there is a wide gap in the field of experiences of the sender and the receiver, very often, the message will be understood differently from what was intended by the sender. Communication can be effective only when the encoded messages are delivered and understood by the receiver in the same form.

**Receiver:** The receiver is a person, a group or an organization to which the communication is directed. Reception of the communication occurs when the messages are detected by the target audience. In a two-way personal communication, most messages are received by the target audience. In mass communication, the messages have very low reception due to selective exposure and perception of the message. In mass communication noise also interfere with effective transmission and reception of the message.

**Noise:** Noise is the exogenous variable in the communication system. It is the distracting stimuli in the environment that affects the effectiveness of communication. Noise is present in every stage of the communication process. It may affect the communication during the encoding process and the sender may not be able to translate the idea into words or symbols. It may be present in the communication vehicles in the form of bad printing, poor TV or radio reception. It may affect the decoding process when the attention of the receiver is distracted by another stimulus in the environment.

**Clutter:** The clutter results from excessive presentation of messages to the target audience. If an advertisement is trying to give too many messages, it may not be read or understood.  Clutter may also result from a deliberate effort by competitors to distract the audiences’ attention on the firm’s advertising. For example, a competitor firm may put a half-page color advertisement next to the firm’s small size black-and-white advertisement and deliberately distract the audiences’ attention.

**Feedback:** A feedback system is designed to understand the effectiveness of the communication. The sender should know whether the audience is receiving the message in the intended form. In personal communication the feedback is immediate. In mass communication, the sender has to undertake evaluative studies to receive feedback. The receiver changes his role and becomes the source in the feedback process.

**Field of Experience:** Field of experience determines the effectiveness of communication. The communication is effective if both the sender and the receiver share a common view of what the symbols mean. If both understand the language and share common culture the communication is easy and effective.

**UNIT 4**

**GROUP DYNAMICS OF CONSUMER BEHAVIOR**

**Meaning and Types of Group**

A group is defined as two or more people who interact to accomplish either individual or mutual goals. According to J.C. Mowen (2000) ***“A group is defined as a set of individuals who interact with one another over some period of time and who share some common need or goal.”*** This means, group includes family, neighbors, colleagues, friendship circle, social club members, and reference groups.

The groups can be classified into primary and secondary, formal and informal, and membership and symbolic.

1. **Primary and Secondary Groups:** From the viewpoint of the degree of personal involvement and consistency of interactions a group may be categorized into primary and secondary groups. In primary groups, the person is deeply involved and interacts on a regular basis with other individuals, while in secondary groups the interaction is occasional. Family, neighborhood groups, and colleagues are primary groups. Members of a social or religious club and certain firm’s stockholders are secondary groups.

1. **Formal and Informal Groups:** From the viewpoint of the degree of organization a group may be formal or informal. In formal groups, the structure is well defined along with the member’s role, responsibility and authority and the group’s purposes. For example, a business club or a political party or an NGO has well defined structures and thus are known as formal groups. In informal groups, the structure is not defined and group members come together and interact with each other for a specific purpose. The neighborhood groups, friendship groups, and children’s play groups are informal groups.

1. **Membership and Symbolic Groups:** From the viewpoint of the physical proximity of group members, a group may be membership or symbolic. In membership groups, the person takes group membership and usually meets the other group members under formal or informal structures. Friendship circle, club members, neighborhood groups are membership groups. In symbolic groups, the person adopts the group’s values, attitudes and behavior without coming into direct contact with the group members. Film stars, politicians, sports persons, singers and other types of celebrities work as role models for many people and thus are known as symbolic groups.

From the viewpoint of consumer behavior six types of groups are very important as they influence the purchase decision of a consumer. These are the family, friendship group, formal social group, shopping groups, consumer action groups, and work groups.

**Group Influence on Consumer Behavior**

Groups provide the members with status, norms, role, socialization, and power (Louden and Bitta, 2003:200). Group members are assigned a status in the group hierarchy. The group also provides behavioral norms for each group member to act or react in a specific situation. Each member in the group is also assigned a role. The group provides an access for socialization through which individual members learn group values and norms along with information, skill and attitudes. A group also gives power to its members.

Groups influence consumer behavior in different ways. The major sources of group influence are normative, informational, value expressive, role related, conformity, and socialization.

1. **Normative Influence:** Group norms are written or unwritten codes of behavior prescribed for group members. Norms represent shared value judgments that determine standards for group members’ behavior. Such norms influence the consumption of dresses, vehicles, homes, and entertainment.
2. **Informational Influence:** Groups provide valuable information on products, services, and outlets that are suitable for purchase and consumption by group members. This information is likely to influence the consumer’s purchase decisions.
3. **Value Expressive Influence:** Groups provide certain attitudes to its members through shared value and norms. These attitudes influence in the choice of products and outlets.
4. **Role Related Influence:** Groups provide its members with specific roles that they are expected to perform for the group’s benefit. In a group such as family different members play different roles as initiator, influencers, deciders, payers, buyers, and users of products. The group also prescribes certain life-style for its members that are reflected in choice of products and services.
5. **Conformity Influence:** The group provides a direct or indirect pressure on its members to act according to the group’s wishes. Individual consumers belonging to a group adopt the consumption behavior prescribed by the group.
6. **Socialization Influence:** Groups provide its members to socialize within the group. In the socialization process, individuals compare themselves with other members in terms of ownership and use of products and services. This process results in purchase of dresses, vehicles, education and many other consumer products.

**Group Shifts, Social Traps and Fences**

Groups influence consumer in different ways. In the group dynamics, group members tend to act for their short-term individual benefits at the expense of long-term group benefits. This phenomenon is explained by the concepts of group shifts, and social traps and fences.

1. **Group Shifts:** The concept of group shifts indicates that individuals change their decision pattern when they are involved in groups. In the 1970s, socio psychologists conducted several researches on group behavior and concluded that groups tend to take more risks than individuals. However, the researches conducted in the 1990s revealed that groups take more conservative decisions and tend to avoid risks. The recent researches into group shift behavior have forwarded the concept of group polarization phenomenon. This phenomenon explains that individuals either move towards a risky decision or to a conservative decision through the group interaction. Research has also indicated that women move toward risky decisions while men move toward cautious decisions.

1. **Social Traps and Fences:** The concept of social traps suggests that people indiscriminately use public resources for individual benefits when such resources are available for free of costs. When a natural resource (water, forest, grazing grounds etc.) is used by a community, individuals in the community would move toward maximizing their own benefits until the resources are finally exhausted. The example of such traps could be the river system in Kathmandu valley which has been so heavily polluted by individuals’ actions. The social trap theory suggests that each person in the group acts to obtain individual short-term benefits that result in long-term group and individual loss. In social fences people avoid taking any action because the action would cause some temporary harm and by not taking any action the group may suffer a long-term loss.

**Reference Groups**

**Meaning and Types**

A reference group is any person or group that serves as a point of comparison or reference for an individual in the formation of either general or specific values, attitudes, or behavior.  There are four broad categories of reference groups, such as contact group, aspiration group, disclaiming group, and avoidance group.

1. **Contact Group:** It is that group in which a person holds membership or has regular face to face contact and whose values, attitudes and standards the person accepts. Normative reference group such as a family is a contact group.
2. **Aspiration Group:** It is that group in which the person holds neither direct membership nor comes into direct contact with the referent but wants to be a member of the group. It is the comparative reference group in which the person adopts the values, attitudes and behavior of the referent. Movie stars, musicians, pop stars and sportspersons often work as reference groups for young people. Successful businessmen, politicians and other celebrities work as reference group for adults.
3. **Disclaiming Group:** It is that group in which a person holds membership or face-to-face contact but disapproves of the group’s values, attitudes and behavior. In this case, the person adopts values, attitudes and behavior which are against those adopted by the group.

1. **Avoidance Group:** It is that group in which a person does not hold membership and does not have direct contact with the referent. The individual also disapproves of the group’s values, attitude and behavior.

**Reference Group Influence**

Influence of reference group on consumer buying decision depends on the nature of the person along with the type of product and other social factors. Reference groups influence consumer buying in the following ways:

1. **Information:**  Reference groups provide information on the product and service. Consumer buying is influenced if the referent is perceived by the consumer as credible source of information. The degree of influence through information supply depends on the amount of information stored by the person about the product or service. If the person already has first-hand information about the product the influence of reference group in the person’s purchase decision is minimized.
2. **Norms:** Reference group provides norms or behavioral rules of conduct for a person which influence his/her purchase decisions. The reference group norms influence the persons consumption behavior.
3. **Values and Attitudes:** Reference groups provide a person with certain values and attitude which guide a person in the choice of products and brands. Normally, the person will be buying those brands recommended by the referent as they are within the accepted group values and attitudes.
4. **Conformity:** Conformity is the change in behavior or belief toward a group as result of real or imagined group pressure. The person conforms to the wishes of the group and changes his/her beliefs in the direction of the group.

**Application of Reference Group Concept in Marketing**

Reference group is extensively used in marketing communication to promote a variety of goods and services. The major objective of reference group projection is to develop a link between the product and the referent. The identification may be based on admiration, aspiration, empathy, and recognition. The basic purpose is to convince consumers that if the referent uses the product the consumer also uses the product in order to identify himself/herself with the referent.

There are four types of appeals used through reference groups: celebrity appeals, expert appeals, common man appeals, and executive appeals.

1. **Celebrity Appeals:** Celebrities such as movie and television stars, sportspersons, and pop singers provide an idealization of life that most people would like to live. Marketers pay huge amount of money to use celebrities in advertisements mainly because celebrities have huge followings among the general public, particularly among the teenagers and young adults.

Celebrities are used in advertising in four ways: to give testimonial, provide endorsement, as actors, and as spokespersons. In testimonials, a celebrity who has personally used the product or service will attest its attributes and benefits to the public. As an endorser, a celebrity does lend his/her name to be used in the advertising without ever using the product. As an actor, a celebrity may play a role in the advertisement promoting a product or service. As a spokesperson, a celebrity may enter into a long-term contract with a company to promote a product or service.

The credibility of the celebrity as an expert in the product or service is more important in advertising than celebrity’s fame, acting talent, and charisma. If a celebrity endorses too many products (e.g. Amitabh Bachhan) the advertisement only attracts people’s attention since they believe that the celebrity is endorsing products for monetary benefits.

1. **Expert Appeals:** Experts of particular fields are often used in advertising to give testimonials and endorsements to products and services. Engineers are used to attest building materials, dental surgeons for toothpaste, and beauticians for beauty related products. If a celebrity is also an expert in a particular field then his/her endorsement value will be very high.

1. **Common Man Appeal:** The common man appeal uses a satisfied consumer to attest the attributes and benefits of a product or service. People easily identify themselves with common people who are like them in terms of social class and life style. Although celebrity and expert appeals have higher attractions common man appeal has higher impacts. Common man appeal is very effective in problem-solving advertisements where a person is shown having a problem and the product or service solves his/her problem.

1. **Executive Appeal:** In executive appeals the top executive of a company endorses the company’s product. Such appeals become effective if the executive has achieved some fame in the business world and are perceived by consumers as business leaders.

**Family**

The family is defined as two or more persons related by blood, marriage, or adoption who reside together. The family is the most basic form of groups who live together and interact to satisfy their personal and mutual needs. Family can either be nuclear or extended. In nuclear family, the husband, wife and their children live together. In extended family, three or more generation live together.

**Functions of Family**

Family provides the following four basic functions to an individual:

1. **Economic Well-being:** The provision of financial means to the dependents or providing economic security to family members is one of the basic family functions. In most of the urban areas, the responsibility for providing financial security has changed from sole responsibility of the male adult to a form of male-female joint responsibility. The economic security provided by the family to its members contributes to the consumption of various products and services.
2. **Emotional Support:** Family provides emotional support to its members. A family helps its members to solve personal and social problems.
3. **Suitable Family Lifestyles:** Family provides a suitable lifestyle for its members through the process of upbringing, experience, education, career and commonly shared leisure activities.
4. **Family Member Socialization:** Socialization of family members, particularly of children is one of the basic functions of family. Children learn basic values and modes of behavior from the family.

**Family Decision Making**

In consumer behavior, the family is known as the basic decision making unit (DMU). The family purchase decision is influenced by the roles performed by each family member. Marketing executives want to know about the role of each family member in order to design effective marketing strategy to influence family buying. There are up to eight different roles performed by family members.

**1. Influencers:** Family member(s) who provide information and advice about a product or service.

**2. Gatekeepers:** Family member(s) who control the flow of information about a product or service. Parents take the role of gatekeepers when they control the times and types of television programs children watch.

**3. Deciders:** Family member(s) with the power to determine unilaterally or jointly whether or not to purchase a specific product or service.

**4. Buyers:** Family member(s) who make the actual purchase of a particular product or service.

**5. Preparers:** Family member(s) who transform the product into a form suitable for consumption by other family members.

**6. Users:** Family member(s) who use or consume a particular product or service.

**7. Maintainers:** Family member(s) who service or repair the product so that it will provide continued satisfaction.

**8. Disposers:** Family member(s) who initiate or carry out the disposal or discontinuation of a particular product or service.

The type of role assumed by a family member in the purchase decision varies across families, situations and product. In some cases, one member may be performing several of the roles while in others; several family members may be performing certain roles jointly.

**Family Life Cycle**

The family life cycle variable is used to define the stage of the family in which the family size changes with time. The family life cycle variables have been designed in the context of the western social system where young people live away from the family to pursue studies and career. The young people marry and raise their family. Once their children reach mid-teens they leave their family to pursue studies and career. This concept although western is gradually entering the urban social structure of Asia including Nepal.

The family structure has changed significantly in the last decade due to postponement of marriage, rising divorce rates and preference for smaller families. Due to the changes the families have been classified into five categories based on the number of individuals in a household.

**One-adult Household:** This group consists of three types of one member households:

* **Bachelor I:** Young unmarried bachelor:
* **Bachelor II:** Middle-aged single person never married, separated, divorced, or widowed without dependent children.
* **Bachelor III:** Older single person never married, separated, divorced or widowed without dependent children.

**Two-adults Household:** This group consists of three types of two-member families:

* **Young Couple:** Young couple married or living together with no children.
* **Childless Couple:** Middle-aged couple with no dependent children.
* **Older Couple (Empty nest):** Older couple with no dependent children.

**Two-adults plus Children Household:** This group consists of three types of full nests:

* **Full Nest I:** Couple with youngest child under six years old.
* **Full Nest II:** Couple with the youngest child over six years old.
* **Full Nest III:** Middle-aged couple with child over six years old.
* **Full Nest IV (Delayed full nest):** Middle-aged couple with youngest child under six years old.

**One-adult plus Children households:** This group consists of three types of single parent households:

* **Single Parent I:** Young single parent (never married, separated, or divorced) with youngest child under six years old.
* **Single Parent II:** Young single parent (never married, separated, or divorced) with youngest child over six years old.
* **Single Parent III:** Middle-aged single parent with youngest child over six years old.

**Family Life Cycle and Consumer Behavior**

The life-cycle stage determines the consumption behavior of families. As a family moves through the life cycle stages their product and service needs change. At the young bachelor stage of the life cycle, the single person has a relatively low income but has high expenditures in life-style and fashion related consumption. This group is likely consumers of sporting goods, motorcycles, entertainment and recreational services. As individuals start to live together the couple will have better income as both individuals in the family may be earning. This group is the likely consumers of homes, furniture, home appliances, schools, insurance policies etc.

When the couple starts the family they need to focus on the need of the child. This group is the likely consumers of baby food, clothing, toys, medical services etc. When the family becomes larger with several children their product needs are further enlarged. This group becomes the likely consumers of large food purchases, medical care, higher priced automobiles, fast-food services etc. A time will come when family size begins to contract. Children move away from the family. At these stages (empty nests) the product and service needs also diminishes. The following table presents some of the typical product and service needs of families:

|  |  |
| --- | --- |
| **Stage of Life Cycle** | **Typical Product/Service Consumption** |
| Young Bachelor  Newly Married Couples  Full Nest I  Full Nest II  Full Nest III  Full Nest IV (Single parenthood)  Empty Nest I  Empty Nest II  Solitary Survivor (Working)  Solitary Survivor (Retired) | Basic furniture, Motorcycle, Stereo, Sports equipment, College education, Personal care products etc.  Home appliances, Durable furniture, Insurance, Vacations, Cars, Restaurants etc.  Home, Day care, Primary school, Baby food, Toys, Fast food etc.  Clothing, Larger house, Fast food, Larger packages etc.  Food expenses peak, New furniture, Magazines, School and College education etc.  Home security devices, Housekeeping services, Day care etc.  Travel, Recreation, Vacations, Savings for retirement,  Home security devices, Hobby related purchases etc.  Medical care, Vacation, Restaurants, Home security devices etc.  Household services, Medical services, Restaurants, Recreations etc.  Household services, Old peoples’ homes, hospital service |

**Social Class**

Social class is the relatively permanent and homogeneous strata in a society that differ in their status, wealth, education, possessions and values. All societies have social hierarchies based on the above aspects. Different social classes exhibit significant differences in their purchase behavior. The difference in the consumption behavior of social classes is due to the following factors:

1. **Economic:** Families belonging to different social classes have different levels of income. The variation in income levels result in differences in choice of stores, choice of products and brands and frequency of buying.
2. **Psychological:** Different social classes vary to some extent in terms of the psychological factors such as values, beliefs and attitude of the families which influence the consumption behavior.
3. **Life-styles:** Social class also determines the type of life style adopted by individuals and families. Choice of leisure activities, hobbies, opinions considerably differ in various social classes.

**Social Class Categories in Nepal**

Social class stratifications are artificial divisions in a society based on income, wealth, education and profession. The type of stratification differs from one society to the other society. For instance, the American society is divided into blue color, grey color, and white color working class. In Nepal, social class stratification is still not very clear. Nevertheless, the following class categories exist in the Nepalese society.

1. **Lower Class:** This class represents the highest proportion of the population. It constitute of the people who live below the poverty line. People in this class are mostly illiterate and have high mortality and morbidity rate. They represent the marginal farmers of the villages and migrant workers in the urban areas. This class depends on their daily earnings for their livelihood.
2. **Lower Middle Class:** This class has mostly clerical jobs in the public or private sector, or are small traders. They send their children to Government or community schools. They have a fixed income and manage their modest life-style within their income. They also have some ancestral property in the form of farm land and a very modest house. This class cannot save any money and have very little discretionary income.
3. **Middle Class:** This class has good income from their salaried jobs or businesses. They send their children to private schools. They are capable of saving money from their income and have moderate discretionary income. They also own small houses and motorcycle as family vehicles.
4. **The Upper-middle Class:** This class constitute of people who have secondary sources of income apart from their professional income. They have more than one house and also own moderately priced family car. This class sends their children to expensive schools in Nepal and India for education. This category constitute of Government officials, and professionals such as doctors, engineers and lawyers. This is the major consuming class in Nepal. They adopt a mixed life-style that is partly Nepalese and partly Western.
5. **The Upper Class:** This class constitute of a very small population (about one percent) who have either inherited huge ancestral property or amassed huge wealth through business or corruption. The neo-rich class also belongs to this category. This class sends their children abroad for education, own huge houses, have big bank balances, and own expensive foreign cars. This class has fully adopted the western life-style.

**Social Class Stratification and Consumption Patterns in Nepal**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Ownership and Behavior**  **Class** | **Profession** | **House Ownership** | **Vehicle Ownership** | **Discretionary income** | **Education** | **Life-style** |
| **Lower Class** | Marginal Farmers and Menial Workers | Thatched roof in village. None in towns. | None | None | None | Nepalese: Very basic |
| **Lower-Middle Class** | Large farmers, small traders, and clerical workers | Very modest house. | Bicycle | Very little | Government and community schools | Nepalese |
| **Middle Class** | Good salaried jobs and moderate size business | Good strong house. | Motorcycle | Modest | Private schools | Partly Nepalese and Partly Western |
| **Upper Middle Class** | Salary plus secondary income from profession, house rent etc. | More than one house | Indian Family Car | High | Expensive private schools in Nepal and India | Mostly Western |
| **Upper Class** | Inheritance, Large business income, corruption | More than one huge house. Big land ownership | Foreign Cars | Very high | Foreign | Mostly Western |

**Measurement of Social Class**

Measurement of a social class can be performed in three ways: subjective measures, reputational measures, and objective measures.

**1.   Subjective measures:** The subjective measurement technique asks the respondents to state in what class category they belong to. For instance, respondents are asked the following question:

***Which of the following five categories best describes your social class?***

Lower Class [    ]

Lower-middle Class [    ]

Middle Class [    ]

Upper-middle Class [    ]

Upper Class [    ]

Thus the social class stratification is performed on the subjective judgment of the respondents based on self-perceptions or self-images.

**2. Reputational measures:** The reputational measures use information from other people (key informants or neighbors) to state the class category of a family well known to them. This approach is very popular among the sociologists who use the method to define social structure.

**3. Objective measures:** The objective measures use key socio-economic variables such as income, occupation, education, and life-style to define social class. The social class stratification can be achieved by using a single variable or a composite index of several variables.

**Consumer Behavior Applications of Social Class**

The influence of social class is reflected in the following aspects of consumer behavior:

1. **Shopping Patterns:** The reason for shopping differs among different classes. For instance, the upper class and upper-middle class tend to shop not only out of necessity but also for pleasure. This class is known to prefer stores with high-fashion image. Many department stores target the upper classes by making shopping a pleasure. The middle class usually prefer the stores with price appeals. Middle class also show positive attitude toward bargaining.

1. **Clothing and Fashion:** Class belonging is often reflected in choice of clothing and adoption of fashion related products. Upper classes prefer to buy clothes from boutiques or go for the original brands. The middle class buy clothing materials and get it stitched from a tailoring shop or go for copies of the original brands. The lower classes buy cheap ready-to-wear dresses from flea market. Brand name has no importance for the lower class The upper classes are the first to adopt new fashion that slowly trickles down to middle classes and lower classes.

1. **Leisure Time Activities:** The leisure activities of classes differ in predictable ways. Type and place of entertainment sought by different classes significantly differ. Upper classes seek entertainment through partying in clubs, dining in expensive restaurants, through travels and foreign shopping trips. Television is the major source of entertainment for the middle class. The lower class visit cinema halls for entertainment.

1. **Home Decoration:** Class difference is clearly visible in the purchase of items required for decorating homes. Upper, middle and lower classes have distinct choice in the purchase and use of furniture, curtains and other home decorating items such as paintings, sculptures, television, flower pots etc.

**Culture**

**Meaning and Importance**

Culture is a set of socially acquired behavior patterns transmitted symbolically through language and other means to the members of a particular society. Culture, in brief, is the way of life of people in a society.  Culture can be tangible as well as intangible. Tangible culture is represented by housing, tools, dresses, food habits works of art etc. Intangible culture is represented by language, religions, values, beliefs, attitudes etc. Culture has the following characteristics:

1. **Culture is learned:** Culture is learned behavior from the past generation. The cultural behavior is transmitted to future generation from the current generation. Anthropologists have identified three forms of learning in the context of culture- formal, informal and technical learning.  In formal learning, the adults teach the younger generation the cultural behavior. In informal learning, the younger generation observes and imitates the behavior of other people. Informal learning can also take place from media exposures. In technical learning, the teachers instruct the child in an educational environment as what should and should not be done. Through the learning process an individual learns the consumption behavior of his culture and behaves accordingly.
2. **Culture is dynamic:** Culture is also dynamic and adaptive. Cultural behavior changes with cross cultural exchanges as new behavior is learned from other cultures. It also changes with new challenges to the current society. For instance, the challenges posed by the population explosion in the Hindu society have resulted in the adaptation of birth control devices in a very short period of time. Thus, cross cultural influences and new challenges establishes new consumption behavior in a society.
3. **Culture satisfies needs:** Culture exists to satisfy the needs of the people in a society. Culture offers social order, direction and guidance to the people in all types of problem solving situations. It provides proven methods of satisfying physiological, psychological and social needs. The cultural rituals, symbols, customs, traditions, dressing, housing, marital systems and many other cultural values provide satisfaction to individuals and groups.
4. **Culture has sub-cultures:** The sub-culture is a subdivision of national culture based on some homogeneous characteristics such as language, ethnicity, race, region etc. The culture provides a broad behavior guideline, while subculture provides specific behavior norms under the culture. Sub-culture has similar characteristics of culture, i.e., sub-cultural behavior is learned; sub-cultural behavior is dynamic; and subculture provides outlet for need satisfaction. Sub-cultural influences on consumer behavior are similar to cultural influences.

**Measurement of Culture**

Culture can be measured by a variety of tools. The tools and techniques of motivation research can also be used to measure culture. Besides, there are several specific measurement tools used in cultural mapping. These are content analysis, field observation, qualitative tools, and value-measurement survey.

1. **Content analysis:** Content analysis measures the culture in terms of the content of communication messages (verbal, written and pictorial messages) used in a culture. The main basis of such measurement is how women are depicted in marketing communication.
2. **Field observation:** Under this method, the measurement is based on a observation technique in which the researcher and studies a culture for a very long period of time. The observation may be participative (disguised) or non-participative (open).
3. **Qualitative tools:** Focus group discussion and in-depth interviews can also be used to understand the cultural norms and values.
4. **Value measurement survey:** A survey conducted with a structures questionnaire can also provide information on the culture. The survey is based on a value measurement instrument that asks respondents to express their opinions on freedom, comfort, national security, and peace.

**Culture and Marketing**

Culture is the accumulation of shared meanings, rituals, norms, and traditions among the members of a society. Culture has strong influence on consumer behavior in terms of consumption choices, core values, myths and superstitions, and rituals.

1. **Consumption choices:** People’s consumption behavior is largely guided by the culture. What people wear, what they eat, and what importance are attributed on products and services are determined by the culture. Cultural acceptance is the most important factor in the success of a product or service. The Western concept of a healthy body is slim and trim while in the middle-east such a body is perceived to an indicator of poverty. Thus, a low calorie product becomes an instant hit in the Western market while in the East there is more demand for high calorie food. Even in the Eastern culture there is a great variation among the various nations. For example, in Japan men share the same bath tank and are not ashamed to bathe in nude which is unthinkable in other cultures.

1. **Core Values:** Culture provides core values to the people. The Western cultures have core values such as individualism, equality, hardworking, achievement, and technology dependency. The Nepalese core values consist of fatalism, collectivism, nepotism, and lack of importance of time. Most of the Eastern cultures are based on a power hierarchy, the center of power lies in the head of a family, institution or an organization. Eastern cultures provide a value to work for mutual benefits of the members of a family and society. In the Western culture such hierarchy does not exist. People are perceived to be equal and free to make individual decisions.

1. **Myths and Superstitions:** Every culture has certain myths and superstitions that influence consumer behavior. Myths related to good luck and bad luck are prevalent in every culture whether it is modern or traditional. In the Western culture the number 7 is associated with good luck and number 13 with bad luck. In the Hindu society the numbers 8 and 12 are associated with bad luck. Similarly in Nepal, people avoid buying new clothes on Monday and iron-based items on Saturday.

1. **Rituals:** Rituals are socio-religious practices of a society that are performed to please gods, goddesses, and ancestors. Religious ceremonies (worships) and social ceremonies (birth, initiations, marriage, and death) differ among the different cultures and sub-cultures. The use of products in the ceremonies also differs among the cultures. Similarly, the rituals related to gift-giving also influences consumer behavior. The recent trend in Nepal’s urban life has introduced flower bouquet as a major gift item that has increased the demand for flower in the market.

**SAMPLE QUESTIONS ON CONSUMER BEHAVIOR**

**Unit 1: Introduction**

**Short Answer Questions**

1. Define consumer behavior and describe its nature.
2. Explain consumer behavior as an input-output system.
3. What is the significance of the study of consumer behavior? Explain.
4. How can the knowledge of consumer behavior be applied in marketing? Explain.

**Unit 2: Consumer Buying Decision Process**

**Short Answer Questions**

1. Explain the problem solving approach to consumer behavior.
2. How do a consumer’s need arise? Explain.
3. What types of problems do consumers generally face? Describe the situations that lead to problem recognition by consumers.
4. “The extent of information search by a consumer is related to the buying situation faced by the consumer.” Comment and explain.
5. Explain the concept of the evaluative criteria.
6. Suppose you are going to buy a motorcycle. How would you come to your choice set by the process of reducing the range of alternatives?
7. Explain the factors that influence consumers’ choice of a store.
8. Explain the adoption process of a consumer in relation to a new product.
9. Who is an opinion leader? How does an opinion leader influence purchase behavior of a individual consumer? Explain.
10. Describe the various adopter categories and their characteristics.
11. Explain the concept of satisfaction and dissatisfaction with examples.
12. “A dissatisfied consumer may take a variety of actions harmful to the marketing firm.” Comment and explain.
13. Explain the concept of cognitive dissonance. How can a consumer reduce the level of anxiety related to dissonance?
14. Why the study of product disposal has become relevant in the present day context? What are the marketing implications of disposal?

**Comprehensive Answer Questions**

1. What is a consumer problem? How consumers’ problems arise? Discuss the marketing interventions in the problem recognition process of consumers with suitable examples.
2. Discuss the information search process of a consumer and highlight on the marketing implications of the information search process.
3. Discuss the evaluation of alternatives process of a consumer buying a high-involvement process. Explain how a marketer gains from the knowledge of consumers’ evaluation process.
4. Discuss consumers’ choice process in relation to brands and store.
5. Discuss the various elements of the post-purchase behavior of consumers and its importance in marketing.

**Unit 3: Behavioral Dimensions of Individual Consumer**

**Short Answer Questions**

1. “Motivation is the reason for consumer behavior.” Explain.
2. Explain the process of arousal of motives.
3. Explain the system of needs presented by Maslow? How far is this need system relevant in the present day context?
4. What is learning? Explain the basic elements of learning.
5. Explain the concept of brand equity. What are the key elements of brand equity?
6. What is sensation? Explain the concept of thresholds that affect sensation.
7. Explain the factors that affect the attention to a stimulus.
8. How does a consumer transform a sensation into a meaning? Explain how various stimulus factors influence perceptual organization of a consumer.
9. What is personality? Explain its characteristics.
10. Explain the Freudian theory of personality. How the neo-Freudians have contributed to the theory of personality.
11. What is self-concept? How self-concept is utilized by marketers through product symbolism?
12. What do you understand by consumers’ life style? How can you measure consumers’ life style?
13. What is attitude? Explain the key functions of consumers’ attitude.
14. Explain the tri-component model of consumers’ attitude.
15. Explain Martin Fishbein’s Attitude-toward-the-object Model with an example.
16. How are consumer attitudes formed? What can change consumers’ attitude?

**Comprehensive Answer Questions**

1. What is motivation? How does motive arousal takes place? Discuss the techniques of measuring consumer motivations.
2. Discuss classical conditioning and operant conditioning theories of consumer learning.
3. What is perception? Discuss the process of perception.
4. What do you understand by personality? Discuss the psychoanalytical and trait theories of perception.
5. Explain the nature of attitude? Discuss the Multi-attribute models of attitude.
6. Discuss the process of attitude formation and change.

**Unit 4: Group Dynamics of Consumer Behavior**

**Short Answer Questions**

1. What is a group? What are the different types of influences of group on a consumer?
2. Explain the concept of group shifts, and social traps and fences.
3. Explain how rumors are diffused in the social system.
4. What functions are performed by a family? Explain the concept of family role.
5. What is a reference group? How reference groups influence a consumer’s choice of product? Explain.
6. What is a social class? Why is social class relevant in marketing? Explain.
7. What is a culture? What are its characteristics? Explain.

**Comprehensive Answer Questions**

1. Discuss the process and elements of the diffusion of innovation in a social system.
2. Discuss the influence of family in the context of the dynamism in the family life cycle concept.
3. Discuss the influence of reference group in the purchase decision of an individual consumer. How has marketing utilized the reference group concept in promotion of consumer products?
4. Discuss the influence of social class on consumption pattern in the context of the social class hierarchy in Nepal.
5. Discuss the characteristics and influence of culture on consumer behavior.