CONSUMER BEHAVIOUR (BBA)

### Q 1 Importance Of Consumer Behaviour

The modern marketing management tries to solve the basic problems of consumers in the area of consumption. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. It will be extremely useful in exploiting marketing opportunities and in meeting the challenges that the Indian market offers. It is important for the marketers to understand the buyer behaviour due to the following reasons.

* The study of consumer behaviour for any product is of vital importance to marketers in shaping the fortunes of their organisations.
* It is significant for regulating consumption of goods and thereby maintaining economic stability.
* It is useful in developing ways for the more efficient utilisation of resources of marketing. It also helps in solving marketing management problems in more effective manner.
* Today consumers give more importance on environment friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence detailed study on upcoming groups of consumers is essential for any firm.
* The growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buying decision.
* Consumers’ tastes and preferences are ever changing. Study of consumer behaviour gives information regarding colour, design, size etc. which consumers want. In short, consumer behaviour helps in formulating of production policy.
* For effective market segmentation and target marketing, it is essential to have an understanding of consumers and their behaviour.

There are 4 main types of factors influencing consumer behavior: cultural factors, social factors, personal factors and psychological factors.

**I. Cultural factors:** Cultural factors are coming from the different components related to culture or cultural environment from which the consumer belongs. Following are cultural factors.

#### Culture and societal environment

#### Sub-cultures

#### Social classes

#### Cultural trends

**II. Social factors:** Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status**.** Following are social factors.

#### Reference groups and membership groups

#### Family

#### Social roles and status

## III. Personal factors: Decisions and buying behavior are obviously also influenced by the characteristics of each consumer. Following are personal factors

#### Age and way of life

#### Purchasing power and revenue:

#### Lifestyle

#### Personality and self-concept:

## IV. Psychological factors: Among the factors factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes. Following are Psychological factors

#### Motivation

#### Perception

#### Learning

#### Beliefs and attitudes

## Q 3 Theory of Consumer Behavior

Our analysis of demand permits us to determine the underlying factors affecting the level of consumer demand of a given commodity. An increase in the price of a commodity, we expect consumers to react by decreasing the quantity they want to buy. Our discussion of elasticity of demand further develop our understanding of demand by showing to us the extent of how consumers react to adjustment in price.  
  
In this chapter, we further explain the behavior of demand by analyzing consumer behavior. The theory of consumer behavior describes how consumers buy different goods and services. Furthermore, consumer behavior also explains how a consumer allocates its income in relation to the purchase of different commodities and how price affects his or her decision. There are two theories that seek to explain consumer behavior. These are the utility theory and the indifference preference theory.

## Consumer Behavior-Assumptions

1. Rational Consumer

2. Budget Constraints

3. Consumer Preferences

## The Utility Theory of Demand

The utility theory explains consumer behavior in relation to the satisfaction that a consumer gets the moment he consumes a good. This theory was developed and introduced in 1870 by a British Economist, William Stanley Jevons. When we speak of utility in economics, we refer to the satisfaction or benefit that a consumer derives of his consumption. The utility theory of demand assumes that satisfaction can be measured. The unit of measure of utility is called utils.

## Law of Diminishing Marginal Utility

The fundamental assumption of utility theory of demand is that the satisfaction that a person derives in consuming a particular product diminishes or declines as more and more of a good is consumed. In other words, as successive quantity of goods is consumed, the utility we derive diminishes. This is called the law of diminishing marginal utility.

## Indifference Preference Theory

Another theory explaining consumer behavior is the indifference preference theory. Economist Vilfredo Pareto developed this modern approach to consumer behavior. Under this, that analysis of consumer behavior is described in terms of consumer preferences of various combinations of goods and services depending on the nature, rather than from the measurability of satisfaction in our previous discussion of the utility theory. Under the latter theory, consumer's taste and preferences were presented by the way of total and marginal utility.

**Stages of decision making:**

Research suggests that customers go through a five-stage decision-making process in any purchase. This is summarised in the diagram below:

Need Recognition & Problem Awareness

Information Search

Evaluation of alternatives

Purchase

Post-Purchase Evaluation

This model is important for anyone making marketing decisions. It forces the marketer to consider the whole buying process rather than just the purchase decision (when it may be too late for a business to influence the choice!)

The model implies that customers pass through all stages in every purchase. However, in more routine purchases, customers often skip or reverse some of the stages.

**Q 4** **Personality:** Personality defined is 'the complex of all the attributes--behavioral, temperamental, emotional and mental--that characterize a unique individual' or 'inner psychological characteristics that both determine and reflect how a person responds to his or her environment.' John Holland (1996) developed a theory on personality. This theory outlined how there are four aspects which influence a persons personality, these are:

1. The external aspect: how a person interacts with other people.
2. The internal aspect: a combination of their values and attitudes.
3. The dynamic aspect: faced with a new situation how they behave.
4. The consistent aspect: their characteristic style.

**Self Concept:-** Self concept defined is 'the composite of ideas, feelings and attitudes that a person has about their own identity, worth, capabilities and limitations'. An individual may have a negative self concept even though most people perceive them in a positive light or vice versa. The perceived self in turn influences their perception of the world around them. Whether self concept or perception is dominant is up to the individual. Self concept is further broken down into three defining factors. These are self image, ideal self and self esteem.

Self image is how an individual sees there self in society and who they think they are. Self image usually comprises social roles, body image & personality traits. Ideal self on the other hand is the kind of person someone would like to be, this maybe slightly or greatly different from their self image. The larger the difference between self image and ideal self the lower an individual’s self esteem.

A group refers to two or more persons forming a collection, assembly or cluster, with or without any unifying objective. For the purpose of our discussion, we refer to groups of persons in organizations, institutions and business entities who are to be brought within the overall communication framework for achieving a set of objectives.

Although groups constitute a collection of individuals, the very same individuals often respond differently when they belong to a group. In the business context we may have varied groups, which may be either homogeneous or heterogeneous in nature. There are groups of employees, supervisors, executives, union members, trainees, suppliers, customers, prospects and investors.

It is important to note that groups often develop an identity that sets them apart from any collection or mere assembly of persons. While any collection of persons exhibits disparateness, groups often exhibit certain uniformity and congruity.

Groups consisting of persons with identical expectations demonstrate a high degree of integration in their behaviour. This pattern gives rise to what is known as group dynamics. Effectiveness of communication in the context of a group needs to be viewed in two dimensions

**Reasons for Forming a Group:**

The main reason for a group to form is physical interaction based upon a common need or problem. The greater the extent to which individuals share activities the more they will interact and the higher the probability that they will form a group. Interaction enables people to discover common interests, likes and dislikes, attitudes, or sentiments.

There are other important factors which encourage group formation.

* Physical proximity: People who live in the same village are likely to form a group than people who live in different villages;
* Physical attraction: Individuals who attract to each other physically might form a group, eg young and energetic boys and girls;
* Rewards: satisfaction of economic and social needs; and
* Social support: perhaps provided by members of a group in times of crisis.

Q 7 Consumer motivation is an internal state that drives people to identify and buy products or services that fulfill conscious and unconscious needs or desires. The fulfillment of those needs can then motivate them to make a repeat purchase or to find different goods and services to better fulfill those needs.Consumer motivation is linked to Maslow's "hierarchy of needs." According to this model, motivational drivers have different levels of importance. The most common needs are physiological and concern basic survival--the need for food, shelter and safety. Higher-level needs include social ones (for relationships and love), esteem needs (recognition and status) and self-actualization needs (fulfillment of self). According to Maslow, an individual must meet lower-level needs before being motivated to fulfill higher-level needs.

## Motivational Levels

* Depending on how important a purchase is to an individual, his motivational levels may vary from low to high. Influences include familiarity with the purchase, status factors and overall expense and value. Where fulfillment rewards are low, as with groceries, motivation levels are also relatively low and involve little decision-making behavior. Conversely, with a complex, risky and emotionally-charged process such as buying a new house, the drive to achieve the "right" result is high.

## Motivational Behavior

* The behavioral aspect of consumer motivation concerns the actions someone takes before purchasing and consuming goods or services. A person might do a lot of research--evaluating alternatives, testing and sampling--before making a selection. She might decide to buy something based on which goods or services most closely meet and satisfy motivational wants and needs. Marketers aim to gain the most impact and eventual sales by linking their products and services to clearly defined consumer needs and by understanding what motivates people to buy.

## Motivational Influences

* Motivational levels differ greatly between individuals and are influenced by many external variables. These include the social value of making the "right" decision, beliefs about brands and alignment of brand values and personal values. If other people are involved in the decision, their motivation also affects the behavior of the primary consumer.

## Accessing Motivation

* Companies and marketers use a number of different tools to help them understand consumer motivation in relation to their products and services. This may help them orient their markets according to different buyer motivation. Marketers use pre-purchase and post-purchase focus groups, one-to-one interviews and online or postal surveys to develop their understanding of consumers' motivational drivers.

**Q 8** Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product.   Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible.

Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others.   Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are **five established adopter categories**, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.

1. Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
2. Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.
3. Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.
4. Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.
5. Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.

The stages by which a person adopts an innovation, and whereby diffusion is accomplished, include awareness of the need for an innovation, decision to adopt (or reject) the innovation, initial use of the innovation to test it, and continued use of the innovation. There are **five main factors that influence adoption of an innovation**, and each of these factors is at play to a different extent in the five adopter categories.

1. Relative Advantage - The degree to which an innovation is seen as better than the idea, program, or product it replaces.
2. Compatibility - How consistent the innovation is with the values, experiences, and needs of the potential adopters.
3. Complexity - How difficult the innovation is to understand and/or use.
4. Triability - The extent to which the innovation can be tested or experimented with before a commitment to adopt is made.
5. Observability - The extent to which the innovation provides tangible results.