Rai Technology University

ENGINEERING MINDS

Understanding Consumer Behaviour

Subject: UNDERSTANDING CONSUMER BEHAVIOUR   **Credits: 4**
SYLLABUS

The Study of Consumer Behaviour
Introduction, Marketing and Consumer Orientation, Diversity in Market Place, Factors Influencing Buyer Behaviour, Buyer Behaviour, Organizational Buying Vs Consumer Buying

Market Segmentation
Market & Its Types, Market Segmentation, Consumer Research Process, Eight Step Research Process, Conducting Research Study

Consumer as an Individual
Consumer needs, Types and Systems of need, Hulls Drives reduction Theory, Maslow's Hierarchy of Needs, Mc Clelland's Three Needs Theory, Consumer Motivation Concept, Means- End Chain Model

Consumer Attitudes and Personality
Attitudes: Introduction, Models of Attitude, Attitude Formation and Change, Personality: Introduction, Theories of personality, Personality and Understanding Consumer Diversity, Components of Communication, Designing Persuasive Communications

Consumer Behaviour in Social Settings
Group Dynamics and Consumer Reference Groups: Reference Groups, Application of reference groups , The family: Concept, Functions of the family, Family Decision Making, The family Life Cycle, Social Class and Consumer Behaviour, lifestyle profiles of the social classes, social class Mobility

Influence of Culture on Consumer Behaviour
Characteristics of culture, Measurement of Culture, Subcultures and Consumer Behaviour, Definition of Sub-Culture, Types of Sub- Cultures (religious, national, geographic, racial, age) , Sub- Culture Interactions, Cross-Cultural Consumer Analysis, Alternative Multinational strategies, cross cultural psychographic segmentation, and marketing mistakes

Opinion Leadership Process
Introduction to Opinion Leadership, Measurement of Opinion Leadership, Profile of Opinion leader, the interpersonal flow of communication, opinion leadership and the firm's promotional strategy Diffusion Of Innovations: Diffusion Process, Adoption Process, and the profile of the consumer innovator

Suggested Reading:
1. Cases in Marketing Management, Brennan. R, Pitman;
2. Marketing Management: The Millennium Edition, Kotler.P, Prentice – Hall
3. Consumer Behavior, Schiffman G.L and Kanuk L.L, Prentice- Hall
4. Consumer Behavior, Atul Kr Sharma, Global Vision Publishing House
5. Consumer Behavior, Raju M.S , Vikas Publishing House Pvt. Ltd.

CONSUMER BEHAVIOUR

COURSE OVERVIEW

We are all confronted with a myriad of Consumer Behaviour issues everyday. Whether you are deciding about which laptop to buy for yourself, which television show to watch, listening to FM, or surfing the Internet, you are interfacing with topics of relevance to the study of Consumer Behaviour

WE have divided the entire course into four units. The first unit provides the background and tools for a strong and comprehensive understanding of the consumer behaviour principles that follow later down the chapters. Chapter 1 introduces the reader to the study of Consumer behaviour and also outlines the difference between Consumer buyer behaviour and Organizational buyer behaviour. It also contains a detailed discussion on market segmentation and the different strategies used for segmenting. Chapter 2 provides the students with a detailed overview of the critical consumer research process and the techniques associated with consumer behaviour research including a discussion on different research methods.

Unit 2 discusses the consumer as an individual. We begin in the first chapter, i.e., Chapter 3, with an exploration of consumer needs and motivations. Chapter 4 provides a comprehensive examination of the impact of consumer perception on marketing strategy. Chapter 5 is a discussion on consumer learning and also the impact of learning theories on consumer behaviour. WE cover the concept of Consumer attitudes and formation of attitudes in Chapter 6. Chapter 7 discusses the impact of a full range of personality theories on consumer behaviour. We end this unit with a discussion communication and the designing of persuasive communications.

Unit 3 is concerned with the social and cultural dimensions of consumer behaviour. We begin with Chapter 10, which deals with the influence of social settings on Consumer behaviour.

We conclude this unit with a discussion on impact of culture and also about cross-cultural consumer analysis.

WE end the course the last unit, Unit 4 that is the unit on Consumer decision-making. IN this unit, Chapter 11 deals with the meaning and role of opinion leaders on consumer behaviour. IN the next chapter we deal with the diffusion of innovations. Chapter 13 deals with the all-important topic of decision-making process. At the end we wrap up with an exhaustive discussion on consumer modelling. Here we deal with the various important models on consumer Behaviour.

UNDERSTANDING CONSUMER BEHAVIOUR

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LESSON 1:
INTRODUCTION TO CONSUMER
BEHAVIOUR

Introduction

As a consumer we are all unique and this uniqueness is reflected in the consumption pattern and process of purchase. The study of consumer behaviour provides us with reasons why consumers differ from one another in buying using products and services. We receive stimuli from the environment and the specifics of the marketing strategies of different products and services, and responds to these stimuli in terms of either buying or not buying product. In between the stage of receiving the stimuli and responding to it, the consumer goes through the process of making his decision.

Objectives

After reading this lesson you should be able to:

- Understand the development of the marketing concept.
- Define customer value, satisfaction, and retention.
- Exploring the link between marketing and Customer orientation
- Definition, role and importance of consumer behavior for a marketer
- Identify the major factors that influence a consumer's purchase decision and behavior
- A simplified model of the consumer decision-making framework
- Define consumer behavior.
- Describe the societal marketing concept.

1. Marketing and Customer Orientation

To introduce you to the concept of consumer behaviour, let us first understand about the discipline of consumer behaviour in relation to marketing.

1.1 What is Marketing?

Marketing on the one hand is a business philosophy and on the other an action oriented process. The philosophy - also termed as marketing concept - has its roots in market economy. There are four critical ideas that form the foundation of such an economy:

- Individuals pursue their self-interest to seek rewarding experience
- Their choices determine as to what would constitute such experience, the choices themselves being shaped by personal (taste) and external (cultural) influences.
- Consumers enjoy the freedom to choose; they are sovereign.
- This freedom ensures free and competitive exchange between "buyers and sellers".

Marketing in turn is based on these four principles.

Thus Marketing can be defined as a

'Process that aims at satisfying individual and organizational needs by creating, offering and exchanging competitively made products that provide value to the buyers'

Today our focus is on customer. Objectives like revenue, profit, market share, etc. Re important, but they will flow only by acquiring customer competence. In our country particularly the customer, even as late as in 1980s, was bereft of alternatives; he would uncomplainingly buy whatever the seller dished out. Not any more. Today's choice empowered customer, supported by a competitive environment, global quality, and new economic realities, decides the fate of the marketer.

So let's define Marketing once more: "It is a total business philosophy aimed at identifying the needs of each customer group, then designing and producing product / service package so as to serve the groups more effectively than the competitors".

This definition reveals three key dimensions of marketing:

- **It seeks to identify customer needs**: Many manufacturers would know all there is to know about relevant production technology, but nothing about their customers' wants. They may design products with fancy features without considering the perceived value of such features to their buyers. Then they wonder why their sales staff fails to push the product in the market.

- **Marketing attempts to select customer groups for which it can develop a competitive edge:** Companies taking a shotgun approach - meaning all things to all people - inevitably end up with sackful of unsold product inventories. Those companies which concentrate their limited resources on meeting specific needs of the customer have better chances of succeeding.

- **It designs and produces the right product packages:** when a company attempts to sell a Mercedes while the customer is demanding a Zen sized car, failure will greet it with open arms.

1.2 Major Concepts in Marketing

A course in Consumer Behaviour uses certain terms repeatedly. It would be desirable therefore that you learn their meaning from the beginning itself.

Needs and Wants

The satisfaction of buyers' needs is at the heart of a market economy, and is the core theme of Marketing. To put it more simply, a need is a feeling of being deprived of something desirable.

You may be in a state in which you are not feeling satisfied (say you are feeling hungry). So you visualize—a more desirable (but unattained, yet) state, that of having a full stomach. Hence there

is a gap between your current state (hunger) and desirable state (satiated palate). This gap leads to a need being felt.

To take another example, if you had been happy with your already attained qualifications, you would not have enrolled for this course!

Wants are somewhat different. While needs are basic to human beings, (since nobody ever needs to tell us that we need to feel hungry, thirsty, etc.) wants are not. Later in our life when we become part of various informal and formal groups (family, friends, school, club, workplace, etc) we develop the concepts of friendship social approval, beauty, and so on. These are our acquired needs. The product concept that adequately satisfies our biogenic or acquired needs becomes successful. Infact the job of the marketer is to identify unfulfilled / inadequately fulfilled / partially fulfilled need. But then today a need can be met in a number of alternative ways. A variety of products can satisfy the same need. Wants exist for those objects that can potentially satisfy a need. A visually impaired person can either wear spectacles, contact lenses, or now he can go in for corrective surgery.

At this point we must also note that a consumer's behaviour is conditioned by the perception about a marketer's offering. This perception may or may not match reality. For example, in India a common perception is that ready to eat food items lack that home touch; they are cold and clinical. Home made foods in contrast are warm and live unless this perception is changed, acceptance of such products is likely to be limited.

Product / Service

If we use marketing parlance *a product is anything that can satisfy our needs and wants*. That is, it could be a physical object, or a service, or an idea which can be offered to a potential user for adoption / practice / consumption. By studying consumer buying behaviour companies can identify needs that can be met by offering a suitable product. Incidentally, a customized product is one, which is made according to individual customer's specifications.

Exchange

A marketer makes an offer because he hopes that the buyer will accept it. And in turn the buyer will give something of value to the marketer. Whether or not an exchange will take place would therefore depend on a match/ mismatch between the gain (the satisfaction receivable) and the sacrifice (the price payable) in customer perception.

1.3. Customer Focus

In India marketing as a discipline has evolved at a leisurely place, dictated of course by circumstantial factors. Most markets being seller's markets (i.e. where seller dominates over the customer) until recently, marketing philosophy was an alien concept for an Indian seller. In a broad sense all the markets can be divided into two categories: *seller's market* and *buyer's market*. A buyer's market is one where due to prevailing intense competition

among the sellers, and consequent excess of supply over existing demand, the buyer rules over the seller. On the other hand, in a seller's market competition is restricted for any number of reasons. So the buyer is at the mercy of the seller.

Pause For Thought

Can you say why people brush their teeth? Answer seems simple. But now check against the following: Those who are hypochondriacs are concerned about germs and are swayed by a 'decay prevention' appeal. Another group, mostly extroverts, brushes teeth to give them brightness and shine. But a majority just want a tingling, fresh sensation as a part of their ritual of starting a day fresh. Such research makes the marketers better prepared to meet the needs of various categories of customers.

1.4. Consumer Focused Marketing

Once a marketer identifies an unfulfilled need, or partially fulfilled one, he has an opportunity to exploit. To this end he has to determine the appropriate marketing mix. According to Stanton: "Marketing Mix is the term used to describe the combination of the four inputs that constitute the core of a company's marketing system: the product, the price structure the promotional activities, and the placement system". The marketer has to track the consumer behaviour constantly and adjudge an optimal combination of these marketing mix

PRODUCT	PRICE	PROMOTION	PLACEMENT
• Basic product and its features. • Design, quality, model, style, appearance, size • Packaging and labeling • Branding and trademark • Service: Pre, during, post sale.	• Basic price, discounts, rebates. • Payment terms, installment facilities • Price fixation; free or administered price	• Personal selling; sales force characteristics • Advertising, media, and message choices • Sale promotion, displays, contests, etc. • Publicity and public relations.	• Channels of distribution: types of intermediaries. • Physical distribution, warehousing, etc.

factors so that best sales are generated. Any mistake or delay can cost a marketer dear.

Figure –1.1: marketing mix variable

Product

We as customers view a product as a 'bundle of satisfaction' and not merely the physical object. We gives importance to both the tangible and intangible attributes of a product. Intangibles provide psychological and social benefits for the buyer. If product attributes don't benefit a customer, they have no significance for him. That is why during 2000-2001 midsize cars had a better sales growth rate than smaller cars; Maruti-800 sales actually declined.

Branding

A firm brands its product to provide it a distinct identity. A brand carries brand equity, i.e., reputation. Losing brand equity means losing sales. For example, this happened to Limca at the time of the BVO controversy.

Packaging

For the customer packaging is both a protective and a promotional device: Package is the message, as it is called. Packaging facilitates brand identification and may even motivate a person to buy a product (like perfume). It serves as a critical reminder at that critical moment when the customer is choosing from among several competing brands. Infact whenever a customer visualizes about a product, its packaging is the first thing that he sees in his mental eyes.

As a test, just think about Pepsi or Coke right now. The first thing you will do is visualizing the distinctive shape of the bottle!

Product Life Cycle

Like us human beings, products also take birth through introduction, develop (grow), age (mature), and eventually decline (die). In the first phase, a newly developed product is introduced in the market, which finds relatively few customers. If it is an innovative product (say a perfumed fabric) then the marketer stimulates primary demand by educating the customer. In the growth stage, more and more customers start buying. But new brands also enter the market. Hence the marketer has to talk about differentiating features of his brand. In maturity the brand competes with other successful brands for selling in a stagnant market. So price cuts, exchange offers or add-ons are used to woo the customers.

Communication is image based attempting to perfect and reinforce the brand loyalty. Finally, many products face a phase of obsolescence. Some products may of course have a cyclical demand pattern. They bounce back after a gap. For example, in 2001 larger frame sunglasses have comeback. The marketer may even reformulate/reposition a product to begin a new life like Dabur Honey or Milkmaid. On the other hand some products have a 'stillborn' fate or may die an infantile death, like Real Value Vacuumizer.

Pricing

Price has to be fixed in such a manner as on one hand it is lower or equal to the value delivered by the product, and on the other hand it should cover at least all manufacturing and post manufacturing (transportation, warehousing, promotional) costs plus the targeted level of profit margin. Actual price fixing of course depends on the functional features of the product and the image of the brand. Then there is the degree of competition that dictates the price of a brand vis-à-vis its competing brands-. That is why you would find Pepsi and Coke priced at same level.

Price can also act as a communication tool. For example price package may give the message of affordability, exclusiveness, etc. Cartier watches, for example.

Placement

Physical distribution is the third dimension of marketing activity. Place convenience is needed to make purchase. A marketer has to decide about two things: Keeping in mind customer's requirements, first, what will be the channel of distribution; and, second, how will the goods be actually distributed.

Physical distribution activities are related to the movement of products from the production site to purchase point. While the buyer must get it in right shape and at right time, the sender should be able to ensure availability at minimum cost to him.

The marketer can either sell directly to the customers or through middlemen. A typical distribution chain could include movement of product from manufacturer to wholesaler to retailer to customer.

Promotion

Promotion is also called marketing communication. It aims at informing and persuading the customer to buy whatever the marketer is offering. Since a customer can be reached through a number of channels, companies undertake integrated communication, which is a combination of personal selling, advertising, public relations, and sales promotion.

1.5. Emerging Imperatives

Customer of today is the arbiter of corporate destiny. He is unrelenting, demanding, and finicky. He wishes to fulfil his needs in the most cost effective manner. Consumer spendings are rising rapidly, while savings rate in India is falling. Alyque Padamsee says: "This is the land of Karma, where everything is worked out for you, your destiny your kismet. But the Generation Now feels 'The hell with waiting for reincarnation!' They are breaking the Karma handcuffs. They are deciding that what they want is a better life now. If they have money they want to spend it now. But they are spending, intelligently, not indiscriminately. What are the today's realities?

- Today's customer is exposed to international quality, thanks to the entry of more players - from within India and abroad - in the market in post liberalized India.
- So he dictates specifications, quality standards, and even chargeable price.
- He wants everything here and now.
- Both budget shoppers and high spenders are demanding better return for the money they spend.

This in turn has several lessons for the marketers:

- A marketer has to act like a long-term investor.
- He has to be prepared to accept wafer thin profit margins.
- Hence all the planning processes and the people of the organization have to be configured around the central character, viz., and the customer.
- Marketing effort has to be directed at meeting customer needs, and not earning profits, or building markets. The latter will of course be a fall out of the customer focus.
- In the competitive world, the marketer has to strategize to deliver customer value greater than that provided by his competitors.

In brief there has to be a paradigm shift. The corporation has to exist for the customer; the company has to customerize itself. Such an organization will have to establish a link between itself and the customers in the following manner:
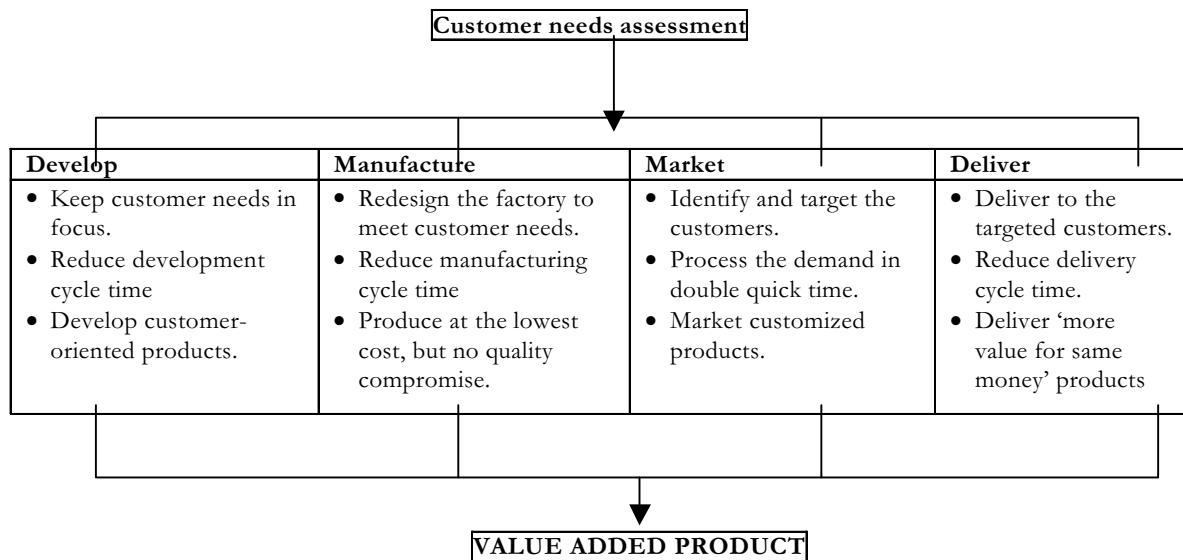
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                    ┌─────────────────────────────┐
                    │ Customer needs assessment   │
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Develop	Manufacture	Market	Deliver
• Keep customer needs in focus. • Reduce development cycle time • Develop customer-oriented products.	• Redesign the factory to meet customer needs. • Reduce manufacturing cycle time • Produce at the lowest cost, but no quality compromise.	• Identify and target the customers. • Process the demand in double quick time. • Market customized products.	• Deliver to the targeted customers. • Reduce delivery cycle time. • Deliver 'more value for same money' products

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              ┌──────────────────────┐
              │ VALUE ADDED PRODUCT  │
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Fig 1.2 essence of customer orientation.

2. Diversity in Market Place

We as consumers differ in age, gender, education, occupation, marital status, activities & interests, preferences, opinions, foods they eat and products we buy.

There is diversity among marketers; not only among producers but also sellers. Traditional retailers, mass merchandisers, discount stores, and off-price stores. But there has been a shift from mass marketing to niche marketing to direct marketing, from custom catalogs to television shopping to cyber shopping.

There is a great diversity in advertising media. In addition to the traditional broadcast and print media, we have ethnic media within a great variety of alternative media.

Recognizing the high degree of diversity among us, consumer research seeks to identify the constants that exist among the people of the world.

Figure 1.3 below shows us how consumers have changed over three decades. In fact, you can see in your own family, if you take your parents as buyers and yourself as a buyer and then see the difference in your behaviour.

Changes in Consumer Behaviour

1980s	1990s	2003
Conspicuous consumer	Frugal consumer, becoming more well-off	Suspicious but generally well-of consumer
Image-driven	Value- and quality-driven	Highly eclectic
Trusting	Skeptical and cynical	A "prove it" attitude
Brand loyal	Does not exhibit loyalty	Believe that there is always something better
Emotional buyer	Informed buyer	Highly informed and specialized buyer
Dreamers	Escapists	Focused on personal needs
Overindulgent	Health- and wellness-conscious	Health, wellness, and some overindulgence, without expectation of costs or consequences
Overworked	Burned out, stressed out, and placing tremendous values on convenience and time	Reliant on technology and telecommunications to save time in making purchasing decisions
Industrious baby boomers	Responsible baby boomer	Unconvinced generation Xer

Fig 1.3 Changes in consumer Behaviour; Source: Adopted from *Principles of Marketing*, Kotler, Adam, Brown and Armstrong

The commonality of need constitute a **market segment,** enabling the marketer to design specific products or promotional appeals to satisfy the needs of that segment

To match the varying consumer tastes and behaviour, marketers have also adopted strategies like stressing on value pricing i.e., high quality at a reasonable lower price and relationship marketing which in simple words would mean servicing to add to customer delight which can in the long run result in brand or store loyalty).

They have also taken steps by moving away from the traditional distribution channels, to customized designed channels and now to direct marketing or to selling directly to the customers.

Some changes in the major segments of life we can identify are as follows:

- **Primary needs**- health, hygiene, basic foods and clothing.

- **Living style**s- expressed in products such as jeans, fun foods, CD's.

- **Imitation of the affluent** and ego based life styles expressed in expensive watches, luxury cars.

- **High technology to match global competitiveness**- faxes, e-mail, Internet, photocopying machines along with CAD, CAM and imaging.

  - The challenge before the marketer is to determine the appropriate marketing channels and consumer psychographics to have a better understanding of the behaviour aspects of target market.

  - In spite of being surrounded by diverse goods and services, and the freedom to choose the desired product or service, there are also many similarities found among consumers.

Caselet #1

During 1996-1999 Ford Escort sold only 13,000 units since customers perceived in it real and imaginary problems. It earned the ill reputation of being a stogy car. Through it was a failed model, and has been withdrawn now, the company used it as a learning experience for developing a car exclusively for the Indian market, the IKON. First of all it decided to understand the customer, abandoning the conventional demographic route and decided to focus on psychographics. It asked the all-important question about Indian attitude towards life and role of car in it. It identified six distinctive customer clusters out of which it decided to address two: the affluent 'puppy' (young upwardly mobile professional Punjabi), and the 'full of life'. The former and the latter perhaps own a popular car already, are party animals, and enjoy fast and flashy lifestyle. Further, this company decided to focus more on second i.e., 'full of life' segment since this category partly subsumes the first one. The car was named the 'josh' machine. It turned out to be a great success. So we learn the lesson.

If we look at consumer Behaviour as a discipline, we can say that:

- We as consumers did not always act or react as marketing theory suggested they would.

- Accelerated rate of new product development

- The consumer movement

- Public policy concerns

- Environmental concerns

- The opening of national markets throughout the world.

Let us now look at the scope of Consumer Behavior. The scope covers:

- What they buy

- Why they buy

- When they buy

- Where they buy it

- How often they buy it

- How do they buy it

Activity 1

Given the geographical characteristics of Indian consumer market, analyse five important implications that will be faced by an all-India distribution company dealing in consumer durables such as refrigerators, televisions and music systems:

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A well-developed and tested model of buyer behaviour is known as the stimulus-response model, which is summarised in the diagram below:

Stimulus-Response Model of Buyer Behaviour

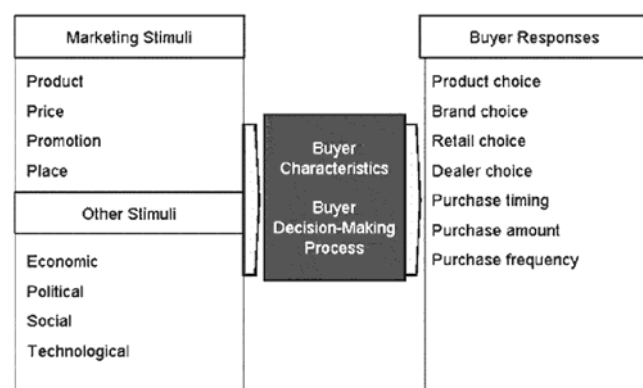| Marketing Stimuli		Buyer Responses
Product		Product choice
Price	Buyer Characteristics	Brand choice
Promotion		Retail choice
Place	Buyer Decision-Making Process	Dealer choice
Other Stimuli		Purchase timing
Economic		Purchase amount
Political		Purchase frequency
Social		
Technological		

Fig 1.4 The Stimulus –response model of Buying behaviour

In the above model (fig 1.4), marketing and other stimuli enter the customers "black box" and produce certain responses.

We must try to work out what goes on the in the mind of the customer or the "black box".

The Buyer's characteristics influence how he or she perceives the stimuli; the decision-making process determines what buying behaviour is undertaken.

2. Factors Influencing Buyer Behaviour

Whenever we buy anything our final decision, as a consumer will definitely be affected by certain factors. Some of these major factors are as given below:

1. Cultural
2. Social
3. Personal
4. Psychological

The first stage of understanding buyer behaviour is to focus on the factors that determine he "buyer characteristics" in the "black box". These can be summarised as follows:
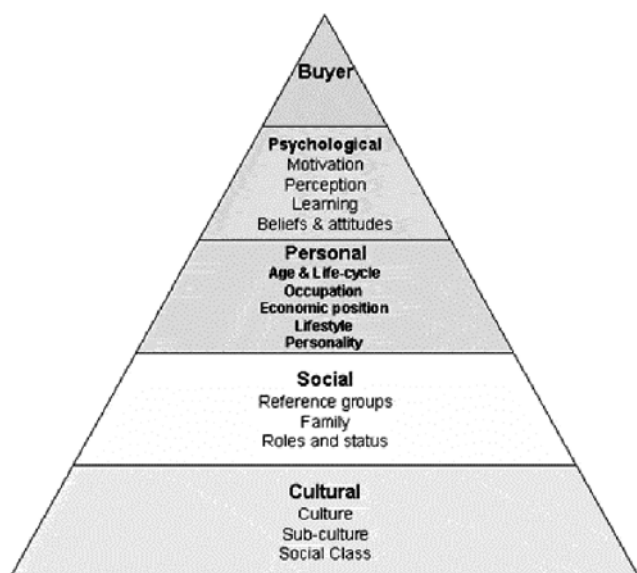

Fig 1.5   Factors affecting Buyer behaviour

Each of these factors is discussed in more detail in our other revision notes on buyer behaviour.

The marketer must be aware of these factors in order to develop an appropriate marketing mix for its target market.

Now lets take a brief look at the various factors that we have mentioned above.

2.1 Cultural Factors

Culture is the most fundamental determinant of a person's want and behaviour. The growing child acquires a set of values; perceptions, preferences and behaviour through a process of socialization involving the family and other key institutions. Cultural factors have a significant impact on customer behaviour. Marketing are always trying to spot "cultural shifts" which might point to new products that might be wanted by customers or to increased demand.

For example, today there seems to be a cultural shift towards greater concern about health and fitness and that has created opportunities, now even industries, servicing customers who wish to buy products like:

- Health foods
- Fitness club memberships
- Exercise equipment
- Activity or health-related holidays etc.

Similarly our increased desire for "leisure time" has resulted in increased demand for convenience products and services such as microwave ovens, washing machines, ready-to-eat meals and direct marketing service businesses such as telephone banking and insurance.

Each culture contains "**sub-cultures**" – groups of people, which share values. Sub-cultures can include nationalities, religions, racial groups, or groups of people sharing the same geographical location. Sometimes a sub-culture will create a substantial and distinctive market segment of its own.

For example, the "youth culture" or "club culture" has quite distinct values and buying characteristics from the much older "grey generation"

Similarly, differences in social class can create customer groups. In fact, the social classes are widely used to profile and predict different customer behaviour. Social class is not just determined by income. It is measured as a combination of occupation, income, education, wealth and other variables. Social Classes are relatively homogeneous and enduring divisions in a society which are hierarchically ordered and whose members have similar values, interests and behaviour.

Social scientists have identified seven social classes shown in Figure 1.6

Social Class	Characteristics
Upper- Upper	Upper-Uppers are the social elite who live on inherited wealth and have well-known families. They maintain more than one home and send their children to the best schools. They are in the market for jewelry, antiques, homes, and foreign vacations. While small as group they serve as a reference group to others to the extent that other social classes imitate their consumption decisions.
Lower-Uppers	Lower Uppers are persons who have earned high income or wealth through exceptional ability in their profession or business. They usually come from the middle-class. They tend to be active in social and civic affairs and seek to buy the symbols of social status for themselves and their children, such as expensive cars, homes and schooling. Their ambition is to be accepted n the upper-upper status, a status that is more likely to be achieved by their children than themselves.

Social Class	Characteristics
Upper -Middles	Upper Middles possess neither family status nor unusual wealth. The primarily concerned with "career". They have attained positions as professionals, independent businesspersons, and corporate managers. They believe in education and want their children to develop professional or administrative skills so that they will not drop into the lower stratum. They are civic minded and are a quality market for good clothes, homes, furniture and appliances.
Middle Class	The middle class is average paid white and blue-collar workers who try to do the proper things. Often they will buy products to "keep up with the trends". The middle class believes in spending more money on "worth-while experiences" for their children and aiming them towards professional colleges.
Working Class	Working class consists of "average pay blue collar workers and those who lead a "working class life-style", whatever income, school or job they have. The working class depends heavily on relatives for economic and emotional support, for tips on job opportunities, advice on purchase, and for assistance in times of trouble. The working class maintains a sharp sex-role division and stereotyping. They are found to have larger families than the higher classes.
Upper Lowers	Upper Lowers are working, though their living standard is just above the poverty line. They perform unskilled work and are poorly paid. Often they are educationally deficient. Although they fall near the poverty line, they manage to maintain some level of cleanliness.
Lower Lowers	Lower Lowers are visibly poverty-stricken and usually out of work. Some are not interested in finding permanent jobs and most are dependent in charity for income. Their homes and possessions are "dirty, ragged, and broken-down".

Fig 1.6: Adapted from Richard P. Coleman "The Significance of Social class to Marketing". Journal of Consumer Research, December 1983, pp 265-80

2.2 Social Factors

A customer's buying behaviour is also influenced by social factors, such as the groups to which the customer belongs and social status. In a group, several individuals may interact to influence the purchase decision. The typical roles in such a group decision can be summarised as follows:

Initiator

The person who first suggests or thinks of the idea of buying a particular product or service

Influencer

A person whose view or advice influences the buying decision

Decider

The individual with the power and/or financial authority to make the ultimate choice regarding which product to buy

Buyer

The person who concludes the transaction

User

The one who actually uses the product or service.

The family unit is usually considered to be the most important "buying" organisation in society. It has been researched extensively. Marketers are particularly interested in the roles and relative influence of the husband, wife and children on the purchase of a large variety of products and services.

There is evidence that the traditional husband-wife buying roles are changing. Almost everywhere in the world, the wife is traditionally the main buyer for the family, especially in the areas of food, household products and clothing. However, with increasing numbers of women in full-time work and many men becoming "home workers" (or "telecommuting") the traditional roles are reversing.

The challenge for a marketer is to understand how this might affect demand for products and services and how the promotional mix needs to be changed to attract male rather than female buyers.

Consumer wants, learning, motives etc. are influenced by opinion leaders, person's family, reference groups, social class and culture.

2.3 Personal

Personal factors are those factors, which are unique to a particular person including demographic factors, Sex, Race, and Age etc.

Personal factors also include who in the family is responsible for the decision-making.

2.4 Psychological Factors

Psychological factors include:

- **Motives**—A motive is an internal energizing force that orients a person's activities toward satisfying a need or achieving a goal.
  Actions are effected by a set of motives, not just one. If marketers can identify motives then they can better develop a marketing mix.
  MASLOW hierarchy of needs is the theory, which explains concept of motivation through unfulfilled needs which could be any of the following:

- Physiological

- Safety

- Love and Belonging

- Esteem

- Self Actualization

- Need to determine what level of the hierarchy the consumers are at to determine what motivates their purchases.

Caselet #1   Nutrament

Nutrament, a product marketed by Bristol-Myers Squibb originally was targeted at consumers that needed to receive additional energy from their drinks after exercise etc., a fitness drink. It was therefore targeted at consumers whose needs were for either *love and Belonging* or *esteem*. The product was not selling well, and was almost terminated. Upon extensive research it was determined that the product did sell well in inner-city convenience stores. It was determined that the consumers for the product were actually drug addicts who couldn't digest a regular meal. They would purchase Nutrament as a substitute for a meal. Their motivation to purchase was completely different to the motivation that B-MS had originally thought. These consumers were at the *Physiological* level of the hierarchy. BM-S therefore had to redesign its marketing mix to better meet the needs of this target market.

Motives often operate at a subconscious level therefore are difficult to measure.

• Perception

What do you see??

Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. This means we chose what info we pay attention to, organize it and interpret it. Information inputs are the sensations received through sight, taste, hearing, smell and touch.

Selective Exposure- This means we tend to select inputs to be exposed to our awareness. This is more likely if it is linked to an event, and/or satisfies current needs.

Selective Distortion- This happens when we change or twist current received information, which is inconsistent with our beliefs.

Selective Retention- In this case we remember only those inputs that support our beliefs, and forget those that don't.
For instance, an average supermarket shopper is exposed to 17,000 products in a shopping visit lasting 30 minutes-60% of purchases are unplanned and is also exposed to 1,500 advertisement per day. Hence they cannot be expected to be aware of all these inputs, and certainly will not retain many.

Interpreting information is based on what is already familiar, on knowledge that is stored in the memory.

• Ability and Knowledge

Learning can be said to be changes in a person's behavior caused by information and experience. Therefore to change consumers' behavior about your product, you need to give them new information regarding the product like free sample etc.

When making buying decisions, buyers must process information. *Knowledge* is the familiarity with the product and expertise. Inexperience buyers often use prices as an indicator of quality more than those who have knowledge of a product. Non-alcoholic Beer example: consumers chose the most expensive six-pack, because they assume that the greater price indicates greater quality.

Learning is the process through which a relatively permanent change in behavior results from the consequences of past behavior.

• Attitudes

we can say that attitudes are knowledge and positive and negative feelings about an object or activity. It maybe tangible or intangible, and living or non- living. Generally it seen that attitudes drive perceptions

We learn attitudes through experience and interaction with other people. Consumer attitudes toward a firm and its products greatly influence the success or failure of the firm's marketing strategy.

For instance, Honda says, "You meet the nicest people on a Honda", dispelling the unsavory image of a motorbike rider, in the late 1950s. Changing market of the 1990s, baby boomers aging, and Hondas market returning to hard core. To change this they have a new slogan "Come ride with us".

Attitudes and attitude change are influenced by consumer's personality and lifestyle.

Again, we tend to screen information that conflicts with their attitudes and distort information to make it consistent and selectively retain information that reinforces our attitudes. But, bear in mind that there is a difference between attitude and intention to buy i.e., ability to buy.

• Personality

One way of explaining personality is all those internal traits and behaviors that make a person unique, keeping in mind the fact that uniqueness arrives from a person's heredity and personal experience. Examples include:

- Workaholism
- Compulsiveness
- Self confidence
- Friendliness
- Adaptability
- Ambitiousness
- Dogmatism
- Authoritarianism
- Introversion
- Extroversion
- Aggressiveness
- Competitiveness.

Traits affect the way people behave. Marketers try to match the store image to the perceived image of their customers.

• Lifestyles

You may have observed that recently trends in lifestyles are shifting towards personal independence and individualism and a preference for a healthy, natural lifestyle.

Lifestyles are the consistent patterns people follow in their lives.

For Example you buy healthy foods to maintain a healthy lifestyle.

- **Opinion Leaders**

Opinion leaders basically play the role of spokesperson etc. Marketers try to attract opinion leaders...they actually use (pay) spokespeople to market their products. Say, for example Sachin Tendulkar (Pepsi, Visa , Biscuit, Adidas etc.)

- **Roles and Family Influences**

Roles are things you should do based on the expectations of you from your position within a group.

People have many roles.

Husband, father, employer/ee. Individuals role are continuing to change therefore marketers must continue to update information.

Family is the most basic group a person belongs to. Marketers must understand:

- that many family decisions are made by the family unit
- consumer behavior starts in the family unit
- family roles and preferences are the model for children's future family (can reject/alter/etc)
- family buying decisions are a mixture of family interactions and individual decision making
- family acts an interpreter of social and cultural values for the individual.

The Family life cycle: families go through stages, each stage creates different consumer demands:

- bachelor stage
- newly married, young, no children...me
- full nest I, youngest child under 6
- full nest II, youngest child 6 or over
- full nest III, older married couples with dependant children
- empty nest I, older married couples with no children living with them, head in labor force
- empty nest II, older married couples, no children living at home, head retired
- solitary survivor, in labor force
- solitary survivor, retired
- Modernized life cycle includes divorced and no children.

Two Income Marriages Are Now the Norm

Because 2 income families are becoming more common, the decision maker within the family unit is changing...also, family has less time for children, and therefore tends to let them influence purchase decisions in order to alleviate some of the guilt. Children also have more money to spend themselves.

- **Reference Groups**

Individual identifies with the group to the extent that he takes on many of the values, attitudes or behaviors of the group members.

Families, friends, sororities, civic and professional organizations.

Any group that has a positive or negative influence on a person's attitude and behavior.

Membership groups (belong to)

Affinity marketing is focused on the desires of consumers that belong to reference groups. Marketers get the groups to approve the product and communicate that approval to its members. Credit Cards etc.!!

Aspiration groups (want to belong to)

Disassociate groups (do not want to belong to)

Honda, tries to disassociate from the "biker" group.

The degree to which a reference group will affect a purchase decision depends on an individuals susceptibility to reference group influence and the strength of his/her involvement with the group.

- **Social Class**

An open group of individuals who have similar social rank. US is not a classless society. US criteria; occupation, education, income, wealth, race, ethnic groups and possessions. Social class determines to some extent, the types, quality, quantity of products that a person buys or uses.

Lower class people tend to stay close to home when shopping, do not engage in much prepurchase information gathering. Stores project definite class images.

Family, reference groups and social classes are all social influences on consumer behavior. All operate within a larger culture.

- **Culture and Sub-culture**

Culture refers to the set of values, ideas, and attitudes that are accepted by a homogenous group of people and transmitted to the next generation.

Culture also determines what is acceptable with product advertising. Culture determines what people wear, eat, reside and travel. Cultural values in India are good health, education, individualism and freedom. In today's culture time scarcity is a growing problem. So as a result there is a change in meals.

Different society, different levels of needs, different cultural values.

Culture can be divided into subcultures:

- Geographic regions
- Human characteristics such as age and ethnic background.

Culture effects what people buy, how they buy and when they buy.

Case on Customer Behavior

Modernizing Sales Outlets

Mr. Harish Panjwani was a refugee when he started his small grocery business about 40 years back. Initially, he hawked his good door to door and soon developed a sizeable number of steady customers. This was largely due to his sober temperament, reliable dealings and his amiable nature. His extrovert nature helped him develop many friends and well-wishers.

Over a period of time, Mr Panjwani became a socially prominent person with good acquaintances from many walks of life. He expanded the range of his business activities and he now own several shops dealing in consumer durables, dairy products and also has a general store besides a large medical shop. Being

of a conservative frame of mind, he feels emotionally attached to his original grocery business and continues to operate it with enthusiasm. His business place has even come to be associated with a meeting venue for people of his generation to meet.

His children are grown up and the eldest one, Rajesh, has just returned from abroad after completing his management education there. Ambitious by nature, Rajesh would like to expand his business fast. He feels that he needs to be 'professional' in his approach. In his option, his father's way of dealing with people is outdated. Many a times, he feels irritated when his father's old friends drop in at the shops and spend time talking with him. Rajesh feels that this type of casual come together is a waste of time. He would prefer to be more 'business' like. He would to deal with them as customers only, serving them with precision and in a methodical manner. He expects that his customer should appreciate this 'modern' way of doing business. He has, however, broached his inner feelings only in an indirect way to his father, and he found that this father believes in maintaining close personal links with his customers. Some of the customers have, anyhow, started noticing the change in the way in which Rajesh deals with them. They feel that the old 'warmth' of their relationship with the senior Panjwani is somehow missing and they are now less welcome at the shops.

Questions

1. What do you think is the contribution of personal relationship in such a business?

2. Do you agree with the approach adopted by Rajesh? Do you have any suggestion to make?

Taken from the fourth semester examination question paper of Pune University.

Key Terms

Customer needs

Customer focus

Needs and wants

Consumer focused marketing

Customer needs assessment

Primary needs

Stimulus-response model

Black box

Cultural

Social

Personal

Psychological

Sub-cultures

Social Class

Aspiration groups

Disassociate groups

Membership groups

Reference Groups

The Family life cycle

Opinion leaders

Lifestyles

Personality

Attitudes

Learning

Ability and Knowledge

Selective Exposure

Selective Distortion

Selective Retention

Perception

Motives

Decider

Buyer

User

Initiator

Influencer

Objectives of One-to-One Marketing

- To attain customers
- Sell them more products
- Make a profit

Changes in the Business Environment

- Increased consumer power
- Access to information
- More products and services
- Interactive and instant exchanges

- Access to customer patterns and preferences
- Evolution to other - Web connection
  – PDAs
  – HDTV
  – Mobile phones

Personal Consumer

The individual who buys goods and services for his or her own use, for household use, for the use of a family member, or for a friend.

Consumer Behavior

The behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.

Organizational Consumer

A business, government agency, or other institution (profit or nonprofit) that buys the goods, services, and/or equipment necessary for the organization to function.

Development of the Marketing Concept

| Production Concept |
| Product Concept |
| Selling Concept |
| Marketing Concept |

The Marketing Concept

- Assumes that to be successful, a company must determine the needs and wants of specific target markets and deliver the desired satisfactions better than the competition
- Marketing objectives:
  - Profits through customer satisfaction

The Selling Concept

- Assumes that consumers are unlikely to buy a product unless they are aggressively persuaded to do so
- Marketing objectives:
  - Sell, sell, sell
- Lack of concern for customer needs and satisfaction

The Marketing Concept

A consumer-oriented philosophy that suggests that satisfaction of consumer needs provides the focus for product development and marketing strategy to enable the firm to meet its own organizational goals.

Implementing the Marketing Concept

- Consumer Research
- Segmentation
- Targeting
- Positioning

Successful Relationships

Customer Value

Customer Retention

Customer Satisfaction
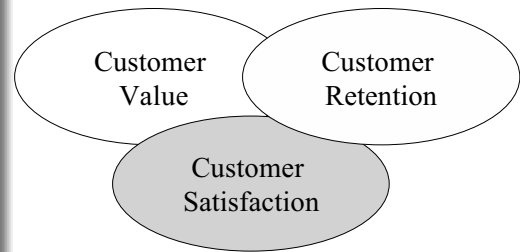
The Marketing Mix

- Product
- Price
- Place
- Promotion

Societal Marketing Concept

A revision of the traditional marketing concept that suggests that marketers adhere to principles of social responsibility in the marketing of their goods and services; that is, they must endeavor to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole.

The Societal Marketing Concept

- All companies prosper when society prospers.
- Companies, as well as individuals, would be better off if social responsibility was an integral component of every marketing decision.
- Requires all marketers adhere to principles of social responsibility.

Characteristics that affect customer behaviour

Buyer

Psychological
Motivation
Perception
Learning
Beliefs & attitudes

Personal
Age & Life-cycle
Occupation
Economic position
Lifestyle
Personality

Social
Reference groups
Family
Roles and status

Cultural
Culture
Sub-culture
Social Class

Notes

Stimulus-Response Model of Buyer Behaviour

Marketing Stimuli
Product
Price
Promotion
Place

Other Stimuli
Economic
Political
Social
Technological

Buyer Characteristics

Buyer Decision-Making Process

Buyer Responses
Product choice
Brand choice
Retail choice
Dealer choice
Purchase timing
Purchase amount
Purchase frequency

LESSON 2:
ORGANISATIONAL BUYING

Introduction

In this chapter we shall discuss some of the basic issues of consumer behaviour. We shall outline the major influences, which shape an individual's consumer behaviour and preferences. The specific process of decision-making involved in consumer behavour is also discussed here. In this chapter we will address the question of business markets and how they differ from consumer markets.

Buyer behaviour is a huge subject and it is only possible in this course to provide a brief introduction to the key issues. For the purposes of this session, we'll therefore concentrate primarily upon **consumer behaviour**, and then conclude by highlighting some of the similarities and differences between this and **organisational buyer behaviour** (or business-to-business purchasing).

Your Objectives

After studying this lesson you should be able to:

- Identify and explain the different kinds of consuming identities
- Elaborate the different customer roles
- Identify the main issues in organisational buying
- Differentiate organisational buying from consumer buying

We often use the term Consumer to describe two different kinds of consuming entities: the **personal consumer** and the **organisational consumer.** The personal consumer is one who buys goods and services for his or her own use, for the use of the household, or as a gift for a friend. The organisational consumers include profit and not-for-profit business, government agencies, and institutions, all of which must buy products, equipment, and services in order to run their organisations.

Before going into the details of organisational buying, let us try to understand the basics of buyer behaviour, i.e., why study *consumers? And who is our customer (consumer)?*

1. Buyer Behaviour

1.1 Why Study Customers?

Before actually studying Consumer behaviour, let us answer the question of why to study this discipline at all? In other words, we will explore and scope and importance of Consumer behaviour.

Effective marketing must begin with *"a thorough understanding of how and why customers behave as they do"* (Merenski, 1998). Specifically, in order to tailor solutions to customers' particular needs and desires, the marketer requires a grounded knowledge of buyer motivations and decision-making processes, together with all those environmental factors which may exert influence upon them. Put another way, the marketer is seeking to address three basic questions: -

- Why does the customer want to buy a particular product or service?
- How will he or she decide which option to purchase?
- What factors may influence this decision?

Activity 1

To get a preliminary idea about the study and applications of consumer behaviour complete the following table in terms of your own purchase behaviour.

(a) What are your reasons for purchasing the following products and services?

   (i) Shampoo _____

   (ii) Life Insurance _____

   (iii) Instant Coffe _____

   (iv) White Shirt _____

(b) Which brand do you normally purchase?

   (i) Shampoo _____

   (ii) Life Insurance _____

   (iii) Instant Coffee _____

   (iv) White Shirt _____

(c) How often/how much do you buy at a time?

   (i) Shampoo _____

   (ii) Life Insurance _____

   (iii) Instant Coffee _____

   (iv) White Shirt _____

(d) From where (retail outlet) do you usually purchase?

   (i) Shampoo _____

   (ii) Life Insurance _____

   (iii) Instant Coffee _____

   (iv) White Shirt _____

(e) Conduct a similar exercise for one of your close friends and compare his/her purchase behaviour with your own. Are there any differences? Identify the reasons for these differences.

_____

_____

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2.2. What is Consumer Behaviour?

Let us try to define Consumer behaviour

Mental and physical activities undertaken by household and business customers that result in decisions and actions to pay for, purchase and use products and services

An important part of the marketing process is to understand why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer's needs and wants.

For a marketing manager, the challenge is to understand how customers might respond to the different elements of the marketing mix that are presented to them. If management can understand these customer responses better than the competition, then it is a potentially significant source of competitive advantage.

Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

- Buyers' reactions to a firms marketing strategy has a great impact on the firm's success.
- The marketing concept stresses that a firm should create a *marketing mix* (MM) that satisfies (gives utility to) customers, therefore need to analyze the what, where, when and how consumers buy.

All this time we have been carrying out our discussion about consumer behaviour without properly defining what or who is a consumer. So who is a consumer? Let us now define a consumer.

A customer is a person in either a household or an organisational unit who plays a role in the completion of a transaction with a marketer or an entity

Who then is a Consumer?

For example, you as a customer purchasing a burger at a restaurant versus the restaurant purchasing the burger meat, bun and condiments to prepare the hamburger for sale

Can you bring out the difference between the terms consumer, buyer, and customer?

Customer Roles

A customer plays different roles

- User – the person who actually consumes or uses the product and receives the benefits

    –E.g. in the example of burger, the person who actually eats the burger

- Payer – the person who finances the purchase

    –E.g. the person who provides the money to pay for the burger

- Buyer - the person who participates in acquiring the product

    –E.g. the person who orders and/or actually hands over the money for the hamburger

In certain cases one and the same person could play all these three roles or it could be other way around also; i.e., different people could play different roles.

The Three Customer Roles

Concepts	User	Payer	Buyer
Role specialisation	Users focus on performance value evaluation	Payer focus on budget allocations.	Buyers, often separate from users and payers, specialize in buying task.
Formalised process	Users submit a formal requisition and technical specifications.	Payer use sound budgeting practices.	Buyers follow well-laid-out policies and processes.
Accountability	Users accountable for correct specifications.		Buyers accountable for professional buying.
Internal capabilities	User capabilities may lead to in-house production.	Strong financial position can gain favorable terms for suppliers.	Buyers with low skills may draw on external advice.
Complexity	Need identification may be an extended process.		Buyers may need to coordinate with multiple suppliers.
Buy class	Users may automate the requisition for rebuys.	For new task buys, payers may have to juggle money.	Rebuys may be routinised and automated. New task buys would require professional talents of buyers.
Buying center	Buying centre brings all roles together.	Payers often are the deciders in the buying centre.	Buyers bring vendors and users together
Decision process	Users most active at the specification and vendor screening stage.	Payers most active at the decision stage.	Buyers active throughout the decision process

Concepts	User	Payer	Buyer
Conflict resolution	Three roles often in conflict.	Payers often overly concerned with cost minimization.	

Fig 1.3 Business customer decision-making and the three customer roles

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Pause for Thought

What was the last item you purchased in a store? Did you go shopping specifically to look for it? Why did you buy it? Who was involved in you purchasing decision? Were you happy with the decision you made?

Exercise: Make a list of all the things you noticed last time you went shopping. Include anything at all that crosses your mind, from things you actually saw or did to things you felt. Save the list for later!

Businesses now spend considerable sums trying to learn about what makes "customers tick". The questions they try to understand are:

- Why consumers make the purchases that they make?
- What factors influence consumer purchases?
- The changing factors in our society.

The purchase of the same product does not always elicit the same Buying Behavior. Product can shift from one category to the next.

For example

Going out for dinner for you may be extensive decision making (for someone that does not go out often at all), but limited decision making for someone else. The reason for the dinner, whether it is a birthday celebration, or a meal with a couple of friends will also determine the extent of the decision-making.

2. Organizational Buying vs. Consumer Buying

Marketing theory traditionally splits analysis of buyer or customer behaviour into two broad groups for analysis – *Consumer Buyers and Organisational Buyers*

Consumer buyers are those who purchase items for their personal consumption

Organisational buyers are those who purchase items on behalf of their business or organisation

In contrast to consumers, **organisational buyers** represent those "buying goods and services on behalf of an organisation for the purpose of the furtherance of organisational objectives" (Lancaster, 1999). Before highlighting some of the differences between the two, however, it is important to caution you against over stressing the differences. For instance, you may come across some authors who argue that buying goods on behalf of one's employers makes buyers more caution and rational than when purchasing consumer goods privately. However, on closer examination of the evidence, we see that the differences are almost exclusively related to price and very small anyway. So, please be aware that there *can* be differences, but they are by no means always universal – a single employee feeling

poorly motivated towards his/her job on one day, for example, may well be far less cautious than on other days when all is well in the workplace!

The most obvious difference between consumer and organisational buying is that the underlying motivation is different; i.e. *personal consumption versus business usage*. There are other contrasts, however. Let us now identify these!

Setting for Buying: For consumers, the buying unit is within the household, whereas for the organisational buyer, the setting is within the firm. This means as an industrial marketer targeting the organisational buyer, you must take account of factors such as buying procedures, levels of authority, and so on, factors not relevant in consumer marketing.

Technical/Commercial Knowledge: You will see that usually, the organisational purchaser will be a trained professional, more knowledgeable than the average consumer purchaser. This can often necessitate a completely different sales approach.

Contact with Buyers/Distribution Channels: You will find that organisational markets are usually more geographically concentrated than consumer markets. Factors such as proximity to available labour, raw materials, and transportation facilities often dictate an industry's location. In addition, compared to consumer markets, there can be far fewer potential customers. Taken together, these variables mean that you, as an industrial marketer must normally maintain far more direct and personal contact with his or her potential clients.

Number of Decision-Makers: Normally in consumer purchasing, the number of people involved in the decision-making process can be very small; i.e. an individual, a couple, a family, etc. In organisational buying, however, a great many people can be involved in the purchasing process. This can mean differences in both the number of people marketing communications must attempt to convince and that quite different decisions might emerge as a result of group dynamics than might initially be anticipated on the basis of individual discussions.

Derived Demand: Organisational buyers often continually adjust their buying decisions on the basis of projected sales figures, buying more units when forecast sales are higher. The result can be a sort of "pendulum effect", with a knock-on effect throughout the buying chain as each chain member adjusts it's buying patterns accordingly.

Reciprocal Demand: Sometimes, a buyer can also be a seller at the same time. A software company producing a package for an insurance company, for instance, might also purchase its insurance services from what is effectively one of its own customers. Both companies want to sell to each other, affecting each other's eventual buying decisions to a varying degree.

As we can see, there are subtle differences between consumer and organisational forms of buying.

3.1 Purchase Objectives

What do organizations purchase for?

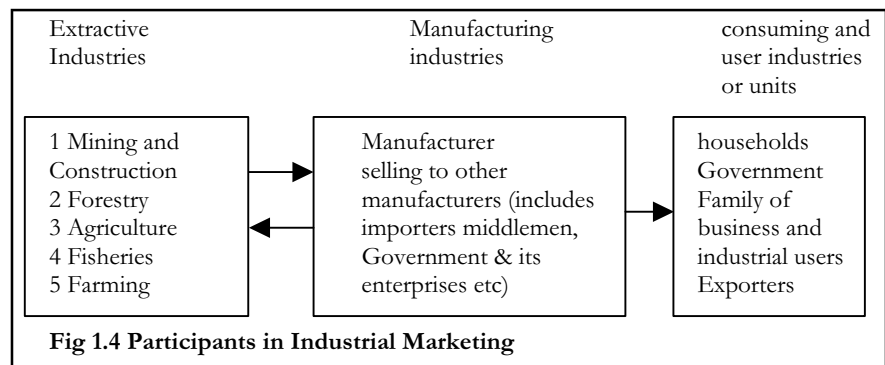**Organizational consumers purchase for:**

- Further production,
- Usage in operating the organization, and/or
- Resale to other consumers

Whereas,

Final (or ultimate) consumers normally purchase for:

- Personal,
- Family, or
- Household use

3.2 Industrial/organizational markets

Let us now look at the various participants and types of players in the Industrial markets:

- **Producer**
  - Manufacturers
  - Service producers
- **Reseller**
  - Wholesalers
  - Retailers
- **Government**
  - Federal
  - State
  - County
  - Local
- **Institutional**
  - Charitable
  - Educational
  - Community
  - Other non-business

Lets take the example of a telephone; think about the hundreds of components that are used in producing it. Each one of those component parts had to be sold to the telephone manufacturer. The part had to be designed such that it met the needs of the buyer, it had to be promoted in a way to make the buyer aware that it was available, it had to be distributed at the times and in the quantities that the buyer needed, and all of this had to be done in such a way that the part could be produced and delivered at a competitive price. There are hundreds of parts, wires, screws, glues, paints, and such that are marketed before the telephone is itself finally produced, marketed, and sold to a final household consumer.

This manufacturer must also purchase supplies that are not part of the product but are used in running the manufacturing operation. It must purchase computers, printer and photo-copier paper, desks and chairs, services to mow the lawn, etc. How is it that this manufacturer makes buying decisions that are similar in nature to household buyers? How is it that this manufacturer makes buying decisions that are different in nature from those of household buyers?

Extractive Industries	Manufacturing industries	consuming and user industries or units
1 Mining and Construction 2 Forestry 3 Agriculture 4 Fisheries 5 Farming	Manufacturer selling to other manufacturers (includes importers middlemen, Government & its enterprises etc)	households Government Family of business and industrial users Exporters

Fig 1.4 Participants in Industrial Marketing

3.2 Differences In Organizational Markets

We know that Organizational markets are different in nature from household consumer markets. Let us see how they are different!

- **Use goods for further production, operations, or resale.** Household, or *final*, consumers purchase products for personal consumption.

- **Purchase equipment, raw materials, and semi-finished goods.** Household purchasers almost always purchase finished goods for personal consumption.

- **Demand is *derived* from that of final consumers.** If you own a machine shop that makes bushings that are used in washing machine motors, then the demand for your products (bushings) is *derived* from final consumer demand for washing machines. If the economy is poor, and demand for washing machines is down, then so too will be the demand for washing machine motors and for the bearings that are used in them.

- **Multiplier effect / accelerator principle**: However, there will probably not be a one to one correspondence between these. If retailers find that demand for washing machines is declining, they might be conservative in placing new orders with wholesalers, perhaps ordering slightly less than what they actually believe demand to be. Wholesalers, in seeing their orders decline, might also be conservative in placing orders to manufacturers, ordering slightly less than what they actually believe demand to be. Manufacturers, seeing their orders decline, might order slightly fewer motors, and the motor manufacturers might conservatively order slightly fewer bushings than they actually expect to need. Demand for your bushings might experience wider swings, either up or down, than the changes in demand at the final consumer end of the supply chain. This makes organizational markets, especially if you produce some of the small parts at the beginning of the supply chain, very *volatile*.

- **Can make items themselves.** Competition in organizational markets comes not only from suppliers of similar goods and services, but can come from

buying organization itself. If it is not happy with the supplier's goods, services, or delivery, then it can choose to make those products itself.

3.4 Differences in Organizational Transactions

- **Buying specialists are often used.** It is usually seen that organizations often employ people who are professional ***purchasing agents***. Just as sales agents are professional specialists at finding organizations that need the products that their employer produces, purchasing agents are specialists are professional specialists at finding what their employer needs. Whatever stereotypes you might have from experiences with salespeople in consumer sales, any negative stereotypes of salesperson behavior probably would not be appropriate in dealing with professional buyers.

- **Often use multiple buying responsibilities.** A household purchaser is often the sole decision maker. Making a sale to an organization, however, often requires selling to several entities within the ***buying center***. For example, you might be using a desktop computer at work, but the decision as to what specifications were needed might have been set by someone in the computer department, the decision to buy might have been made by your department manager, bids taken by someone in the purchasing department, and the final authorization made by the company president.

- **Often use multiple suppliers.** It is often desirable to have a long-term relationship with more than one supplier, even if a second supplier has higher prices for otherwise similar terms and conditions. If problems in quality or delivery are experienced with a supplier, production can still be maintained if the second supplier can be used to replace the first. The ideals of a cozy, trusting relationship that has been promised with ***strategic alliances*** in the popular business literature does not always work if it leaves one party vulnerable as a sole supplier or buyer.

- **More likely to require exact specifications.** A household purchaser might select a particular model of desktop computer for no other reason than it has a pleasing color. An organizational purchaser is more likely to set specifications regarding processor speed, memory, hard drive size, and such before taking bids on price.

- **Often lease equipment and space.** As a household consumer, you would probably prefer to own your own car, furniture, and home. These are things that represent personal expression, status, and wealth. Your objectives as a business manager, however, are very different. You might prefer to lease public warehouse space to provide the flexibility to change locations when the market demands, to lease trucks so that you can leave the problems of maintenance and disposition to someone else, etc.

- **More frequently employ ***competitive bidding*** and ***negotiation.*** Household consumers (especially those of us in urban settings) are more likely to accept as final a price that is placed on a product in a retail setting or to accept a price that is given to us by a service provider. As a business

manager, your employer is more likely to require that you accept, say, three bids for a service or to negotiate various terms and conditions associated with product specifications, delivery, and price.

Types of I/O Purchases

- **Straight Rebuy**
  - Routine purchase
  - Associated with frequently purchased items

- **Modified Rebuy**
  - Routine purchase
  - Frequent purchase, but buyer does review product specifications or supplier

- **New Task**
  - Not routine
  - Product needs and specifications researched, vendors evaluated

Straight/routine rebuy	Modified rebuy	Completely new task with negotiation
1. Electricity, water, gas 2. Office Supplies 3. Gum Cigarettes 4. Bulk Chemicals	1. New cars/trucks 2. Electrical components 3. Computer terminal 4. Consultancy services	1. Complex buildings bridges, dams 2. Installation (machinery etc) 3. Custom built office or house

Fig 1.5 Types of Buying Situations

If we have to take an example of a straight rebuy situation, it could be the purchase of photocopy paper for a large organization. Once a relationship is established with a supplier who appears to be providing good products at good terms and prices, there is no need to re-negotiate the terms and conditions every time more supplies of paper are needed. The purchase of a large, expensive crane, however, would require more than a good relationship between a purchasing agent and a salesperson.

In a straight rebuy situation, the buyer is likely to periodically apply ***value analysis*** and ***vendor analysis***.

- **Value analysis**: a periodic review of the qualities of the product for the price
- **Vendor analysis**: a periodic review of the services of the vendor (seller)

An annual value analysis of the paper in the above example might show that the product performs well, but a vendor analysis might show that the vendor is often late in deliveries and often delivers the wrong assortment of products. In this situation, the purchasing agent might search for a new supplier of the same brand of paper.

Buying Center

Recall that there are often multiple decision makers involved in organizational purchases. This requires that the marketer is aware of the needs of the various constituencies involved in making decisions. Additionally, there can be constituencies in an

organization who do not have decision-making authority, but who nonetheless might have some influence over the purchase and consumption process.

- **Users**: If you are a secretary, you might have had the experience of arriving to work one day to find a new typewriter on your desk, whether or not you even wanted it. A salesperson would not call on you if you had no influence over what product was purchased. However, if you and your co-workers submit numerous complaints about missing or problematic features of the new replacements, the salesperson might be faced with a very expensive customer service problem to solve. A user is the end consumer of a product.

- **Influencers**: Perhaps in this case, the office manager was consulted with regard to features or specifications to set in the purchase of new typewriters. Although the office manager might have no decision-making authority with regard to the purchase, whatever specifications s/he requests could be used without change in making the purchase. A salesperson might need to be aware of these influencers - a special trick is to get the influencer to write a specification list that happens to match the seller's product features! An influencer is someone who has influence over what is purchased.

- **Deciders**: In this case, some middle manager, ignorant of the needs of secretaries, might have made the decision as to when and what to purchase. The point of this statement is that the marketer or seller must be aware of how it is that decisions are made and often must focus some or all efforts at whomever it is that makes decisions in the organization. Note, however, that decision-making authority does not necessarily mean that this person exerts any influence on what is purchased. The company president might be the only person who signs all purchase requisitions, and therefore has ultimate decision authority, but might otherwise merely sign some requisitions without question or involvement. A decider is someone who ultimately has authority if or what to purchase.

- **Buyers**: The final purchase transaction might be left to a purchasing agent who otherwise has no involvement in decision-making. A sales agent for an office equipment supply house might help an organization to decide what brand of typewriters would be best, but that organization could then allow the purchasing agent to find the best deal on that brand, and the best deal with regard to price might come from a competing office supply house. A responsibility of salespeople, then, is often to maintain good, trusting, and long-term relationships with the purchasing agents in prospective buying organizations, whether or not they have purchased in the past. A buyer is someone who arranges the transaction.

- **Gatekeepers**: Why do salespeople often give secretaries little gifts of chocolates or flowers or an occasional free lunch? A secretary can be nice or nasty in passing information in either direction. The prospective buyer's secretaries can be helpful in providing names, telephone numbers, and office hours of key members of a buying

center in an organization. They can also be helpful in passing messages from the salesperson to members of the organization. A gatekeeper could include anyone in the organization who can control the flow of information.

Some books use the term *Decision Making Unit* to describe the notion of the buying center, and some additionally include the entity of *initiator*. An initiator would be a person who initiates the idea or a purchase.

Note that the idea of the Buying Center is conceptual - there is no such department in any organization!

Key Terms

- Customer roles
- User
- Payer
- Buyer
- Role specialisation
- Formalised process
- Accountability
- Internal capabilities
- Complexity
- Buy class
- Buying center
- Decision process
- Conflict resolution
- Derived Demand
- Reciprocal Demand
- Extractive Industries
- Manufacturing industries
- Consuming and user industries
- Straight Rebuy
- Modified Rebuy
- New Task
- Buying center
- Users:
- Influencers:
- Deciders:
- Buyers:
- Gatekeepers:

Article #1

Read The Consumer
Understand what the consumer wants. It's the first step towards building a successful brand.

MANY a student, brand executive and sales/marketing manager have asked me as to what books on marketing they should read. Many have read my books and others' too, but they still ask for the advice on this subject.

My strong recommendation, advice and guidance is 'Read the consumer'! Understanding consumer behaviour, reading his or

her attitude and usage patterns, listening to his or her words and observing the consumers' actions and reactions are paramount and of utmost significance. This would help create strong connections with the consumers and build profitable brands in the minds and hearts of consumers.

Many years ago in India, a small entrepreneur with a large vision, R. Mohan, read the consumer closely in terms of the mosquito menace and observed the irritation and loss of sleep that a consumer has to endure. Thus was born a very simple but effective concept with the relevant brand name 'Goodknight'. The brand grew substantially and till today is one of the most successful and effective mosquito repellent brands in the country.

Not only does reading the consumer help in creating new categories but also helps in keeping up with the changing needs of consumers. For example, music has been a growing category from the time of the kings (when music was in a personalised form with court musicians) to the age of the gramophone, records, cassettes, CDs and beyond.

Brands, which have been successful have constantly read the consumer, almost on a daily basis, looking for consumer insights, changing needs and new trends. If you do not read the consumer regularly, you could be left behind in marketing. Reading the consumer for a marketing professional has to become his or her habit, his or her second nature. 'Adhocism' does not work; reading the consumer is like breathing, if you do not do it regularly your brand could die.

The new growth areas like mobile phones, spas and fitness centres, family entertainment centres and malls as well as coffee bars or multiplex complexes have all been a result of reading the consumer regularly.

In marketing, many a company make the error of focusing only on distribution channels or pricing or advertising. If the consumer is not read regularly, there could be a 'disconnect'.

Let us look at successful examples in India where reading the consumer has helped marketers gain consumer insights and position, reposition and build strong brands.

Understanding that consumers were looking for convenience and ease of payment and purchase, car finance companies have built large bases and have made the category grow through easy monthly instalment schemes. Similarly, in home finance and in consumer durables financing, including computers, both the financing companies and the manufacturers have penetrated deeper into markets as well as made many a consumer's dream come true.

On the other hand, by reading the consumer and understanding affordability, companies like Nestle have exploded the markets with Re 1 Nescafe and Rs 2 Choco-stick packs.

Similarly, Hindustan Lever with its Rs 5 offerings for Lux and Ponds has grown the market and itself. Smaller pack sizes have helped attain bigger sales.

Similarly, in areas such as the airlines industry, industrial products sector and the OTC products sector, reading the consumer has helped companies gain sales. This is evident from the performance of brands such as 'No Marks', which have created a new category. The consumer insights for the brand

building of 'Ujala' and the 100 per cent vegetarian positioning of Anchor are all a result of reading the consumer regularly and intently.

Thus, in my opinion, the hierarchy in marketing should flow thus: first comes God, then comes the consumer, then the brand, then the retailer, and thereafter everyone else. Thus, reading the consumer, is of prime importance and this can be done only by getting up from the chair and your air-conditioned cabin and going out in the market and in the field and meeting and interacting with consumers regularly irrespective of whether it is formally or informally done.

Understand who your consumers are, what they prefer, why they buy, who is the decision-maker and who is the influencer, where is the purchase or consumption done and how the consumer uses the product and service. This is what I call the five wives and one husband way of reading the consumer! The five wives being the five Ws — What, Where, Who, Why and When — and the one husband being the one H — How!

Build your brand, succeed in marketing your product or service by reading the consumer.

Points To Remember

ORGANISATIONAL BUYING

organisational buyers represent those "buying goods and services on behalf of an organisation for the purpose of the furtherance of organisational objectives" (Lancaster, 1999)

Personal Consumption Vs. Business Usage

- Setting for Buying
- Technical/Commercial Knowledge
- Contact with Buyers/Distribution Channels
- Number of Decision-Makers
- Derived Demand
- Reciprocal Demand

Participants in Organizational Markets

- Producer
- Reseller
- Government
- Instituional

Purchase Objectives

- Further Production

- Usage in Operating the organization, and/or

- Resale to other consumers

Organisational Markets

- Use goods for further production, operations, or resale
- Purchase equipment, raw material, and semi-finished goods
- Demand is derived from that of final consumers

Differences in Organisational transactions

- Buying specialists are often used
- Often use multiple buying responsibilities
- Often use multiple suppliers
- More likely to require exact specifications
- Often lease equipment and space
- More frequently employ competitive bidding and negotiation

Buying centre

- Users
- Influencers
- Deciders
- Buyers
- Gatekeepers

Types of Organisational Purchases

- Straight Rebuy

- Modified Rebuy

- New Task

1. 2.a. Assume that you have just been hired as a customer relations expert by Johnson & Johnson to answer a growing number of complaints that JNJ products are over-priced and have lost their sense of value for the consumer. The complainants cite lower priced private labels and store brands as illustrations of frustrations with JNJ. As one consumer states, "A band aid is just a band aid after all!" What would be your response?

b. How could you use the Johnson & Johnson Credo to aid you in your response?

2. Have you ever been selected as a respondent in a marketing research survey? If yes, how were you contacted? Why do you think you, in particular, were selected? Did you know or could you guess the purpose of the survey?

Do you know the name of the company or brand involved in the survey?

LESSON 4:
MARKET SEGMENTATION

Introduction

In this chapter, we discuss how to find attractive target market opportunities. We start by considering four basic types of opportunities—market penetration, market development, product development, and diversification —with special emphasis on opportunities in international markets. We will also see that carefully defining generic markets and product-markets can help find new opportunities. We will also discuss market segmentation—the process of naming and then segmenting broad product markets to find potentially attractive target markets. Some people try to segment markets by starting with the mass market and then dividing it into smaller sub markets based on a few dimensions. But this can lead to poor results. Instead, market segmentation should first focus on a broad product-market and then group similar customers into homogeneous sub markets. The more similar the potential customers are, the larger the sub markets can be.

Objectives

After reading this lesson, you should be able to:

- Understand the meaning of the term "markets"
- Compare and contrast various types of marketing strategies.
- Identify that lead to a market segmentation decision.
- Distinguish between one variable segmentation and multi-variate segmentation.

1. What is a Market?

What do you understand by the term market?

To a marketer, the term marketer means:

1. People as individuals or members of an organization.
2. People with desires.
3. People with willingness and ability or buying power to satisfy their desires.
4. People who can become customers because they have been authorized to buy.

Thus, in summarization we van say that a market is:
An aggregate of people who, as individuals or organizations, have needs for products in a product class and who have the ability, willingness and authority to purchase such products (conditions needed for an exchange).

Types of Markets

1. *Consumer* Intend to consume or benefit, but not to make a profit.
2. *Organizational/Business* For:
   - Resale
   - Direct use in production
   - *Or* general daily operations.

A marketing manager who really understands a target market may see breakthrough opportunities. But a target market's real needs—and the breakthrough opportunities that can come from serving those needs—are not always obvious.

Identifying a company's market is an important but difficult issue.

In general, a market is a group of potential customers with similar needs who are willing to exchange something of value with sellers offering various goods and/or services—that is, ways of satisfying those needs. Marketing-oriented managers develop marketing mixes for *specific* target markets. Getting the firm to focus on specific target markets is very vital.

What then is a company's market? Breakthrough opportunities from understanding target markets

To understand the narrowing down process, it's useful to think of two basic types of markets. A generic market is a market with *broadly* similar needs—and sellers offering various—*often-diverse*—ways of satisfying those needs. In contrast, a **product-market** is a market with *very* similar needs and sellers offering various *close substitute* ways of satisfying those needs.

A generic market description looks at markets broadly and from a customer's viewpoint. For example If you are seeking entertainment you have several very different ways to satisfy your need. You as an entertainment-seeker might buy a new home theatre system, sign up for a Caribbean tour, or reserve season tickets for a rock show. Any one of these *very different* products may satisfy this entertainment need. Sellers in this generic entertainment-seeker market have to focus on the need(s) the customers want satisfied—not on how one seller's product (home theatre system, vacation, live music) is better than that of another producer. It is sometimes hard to understand and define generic markets because *quite different product types may compete with each other.* For example, freelance journalists often need a fast, worry-free way to get articles to their editors. Sanyo's fax machines, DHL's overnight service, and VSNL's Internet-based e-mail service may all compete to serve our journalists' needs. If customers see all these products as substitutes—as competitors in the same generic market—then marketers must deal with this complication. Suppose, however, that one of our journalists decides to satisfy this need with a fax machine. Then—in this product-market—Ricoh, Hewlett-Packard, Samsung, and many other brands may compete with each other for the customer's dollars. In this *product*-market concerned with fax machines *and* needs to reduce worry, consumers compare similar products to satisfy their communication needs.

1.1 From Generic Markets to Product-markets

Broaden Market definitions to find Opportunities

Broader market definitions—including both generic market definitions and product-market definitions—can help firms find opportunities. But deciding *how* broad to go isn't easy. Too narrow a definition limits a firm's opportunities—but too broad a definition makes the company's efforts and resources seem insignificant.

Here we try to match opportunities to a firm's resources and objectives. So the *relevant market for finding opportunities* should be bigger than the firm's present product-market—but not so big that the firm couldn't expand and be an important competitor.

A small manufacturer of screwdrivers in Punjab, for example, shouldn't define its market as broadly as "the worldwide tool users market" or as narrowly as "our present screwdriver customers." But it may have the production and/or marketing potential to consider "the handyman's hand-tool market in North India." Carefully naming your product-market can help you see possible opportunities.

Product-related terms do not—by themselves—adequately describe a market. A complete product-market definition includes a four-part description.

What: 1. Product type (type of good and type of service)
To meet what: 2. Customer (user) needs
For whom: 3. Customer types
Where: 4. Geographic area

We refer to these four-part descriptions as product-market "names" because most managers label their markets when they think, write, or talk about them. Such a four-part definition can be clumsy, however, so we often use a nickname. And the nickname should refer to people—not products—because, as we emphasize, people make markets!

Product type describes the goods and/or services that customers want. Sometimes the product type is strictly a physical good or strictly a service. But marketing managers who ignore the possibility that *both* are important can miss opportunities.

Product type should meet customer needs

Naming Product-Markets and Generic Markets

Customer (user) needs **refer to the needs the product type satisfies for the customer**. At a very basic level, product types usually provide functional benefits such as nourishing, protecting, warming, cooling, transporting, cleaning, holding, saving time, and so forth. Although we need to identify such "basic" needs first, in advanced economies, we usually go on to emotional needs—such as needs for fun, excitement, pleasing appearance, or status. Correctly defining the need(s) relevant to a market is crucial and requires a good understanding of customers. *Customer type* **refers to the final consumer or user of a product type**. Here we want to choose a name that describes all present (possible) types of customers. To define customer type, marketers should identify the final consumer or user of the product type, rather than the buyer—if they are different. For instance, producers should avoid treating

middlemen as a customer type—unless middlemen actually use the product in their own business.

The *geographic area* **is where a firm competes—or plans to compete—for customers. Naming the geographic area may seem trivial, but understanding geographic boundaries of a market can suggest new opportunities**. A firm aiming only at the domestic market, for example, may want to expand into world markets.

A generic market description *doesn't include any product-type terms.* It consists of only three parts of the product-market definition—without the product type. This emphasizes that any product type that satisfies the customer's needs can compete in a generic market.

Activity 1

Describe how Bajaj Auto Ltd. Has moved from mass marketing to product-variety to target marketing. Select some other examples of companies have moved from mass marketing to segmented marketing

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2. Market Segmentation

The method of identifying a group of consumers, within a broader market, that has similar characteristics and needs. Segments can be identified by examining demographic, Psychographic, and behavioral differences. Thus a car manufacturer may identify different types of consumers preferring different styles of cars, so they will segment their car buying markets accordingly. Perhaps identifying that younger car buyers, with high incomes, will be more likely to buy a sports car, while an older population of car buyers may be more apt to purchase a town car. Once these segments are identified, marketers can develop different underlined marketing mixes that underlined target each segment. Again, the marketer may identify a number of specialty magazines that the young, affluent market reads, thus they will run their advertisements for sports cars in these magazines.

Individuals with diverse product needs have heterogeneous needs.

Market segmentation is the process of dividing a total market into market groups consisting of people who have relatively similar product needs, there are clusters of needs.

The purpose is to design a MARKETING MIX(s) that more precisely matches the needs of individuals in a selected market segment(s).

A market segment consists of individuals, groups or organizations with one or more characteristics that cause them to have relatively similar product needs.

2.1 Criteria Needed for Segmentation

For segmentation to occur:

1. Segments must have enough profit potential to justify developing and maintaining a MARKETING MIX

2. Consumer must have heterogeneous (different) needs for the product.

3. Segmented consumer needs must be homogeneous (similar)

4. Company must be able to reach a segment with a MARKETING MIX,

For example, how do marketers reach children?

- Cartoons
- Cereal boxes
- Sports illustrated for kids

Look at how media has changed recently due to changing demographics etc. and therefore the need of marketers to reach these groups.

Media must respond because they are essentially financed by the marketers or at least heavily subsidised

5. Must be able to measure characteristics & needs of consumers to establish groups.

2.2 Variables that Can be Used to Segment Markets

Need to determine the variables that distinguish marketing segments from other segments.

- Segmentation variables should be related to consumer needs for, and uses of, or behavior toward the product. IE Stereo; age not religion.

- Segmentation variable must be measurable. No best way to segment the markets. Selecting inappropriate variable limits the chances of success.

Variables for segmenting Consumer Markets include:

- *Demographic* - age, sex, migration patterns, and mortality rates, ethnic groups, income, education, occupation, family life cycle, family size, religion and social class.

- *Geographic* -Climate, terrain, natural resources, population density, sub cultural values, different population growths in different areas.

City Size

- Metropolitan Statistical Area
- Primary Statistical Metropolitan Area
- Consolidated Metropolitan Statistical Area

Market density-# of potential customers within a unit of land.

- *Psychographic* - personality characteristics, motives and lifestyles

- *Behaviouristic Variables* - Regular users-potential users-non-users Heavy/moderate/light users, 80-20 rule
Frequent User Incentives
It is five x more expensive to attract a new customer, as it is to satisfy your current customers.
Benefits segmentation-focus on benefits rather than on features.

Single Variable vs. Multi-Variable Segmentation

- *Single variable*—achieved by using only one variable to segment

- *Multi-variable*— more than one characteristic to divide market.
Provides more information about segment. Able to satisfy customers more precisely. More variables create more segments reducing the sales potential in each segment.

We need to answer one question here. Will additional variables help improve the firms MARKETING MIX. If not there is little reason to spend more money to gain information from extra variables.

Market Segmentation - bases of Segmentation

It is widely thought in marketing that segmentation is an art, not a science.

The key task is to find the variable, or variables that split the market into actionable segments

There are two types of **segmentation variables**:

1. **Needs**
2. **Profilers**

The basic criteria for segmenting a market are **customer needs**. To find the needs of customers in a market, it is necessary to undertake **market research**.

Profilers are the descriptive, measurable customer characteristics (such as location, age, nationality, gender, income) that can be used to inform a segmentation exercise.

The most common profilers used in customer segmentation include the following:

Profiler Examples

Geographic

- Region of the country
- Urban or rural

Demographic

- Age, sex, family size
- Income, occupation, education
- Religion, race, nationality

Psychographic

- Social class
- Lifestyle type
- Personality type

Behavioural

- Product usage - e.g. light, medium, heavy users
- Brand loyalty: none, medium, high

Market Segmentation - Demographic Segmentation

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, family size, income, occupation, education, religion, race and nationality.

As you might expect, demographic segmentation variables are amongst the most popular bases for segmenting customer groups.

This is partly because customer wants are closely linked to variables such as income and age. Also, for practical reasons, there is often much more data available to help with the demographic segmentation process.

The main demographic segmentation variables are summarized below:

a. Age

Consumer needs and wants change with age although they may still wish to consumer the same types of product. So marketers design, package and promote products differently to meet the wants of different age groups. Good examples include the marketing of toothpaste (contrast the branding of toothpaste for children and adults) and toys (with many age-based segments).

b. Life-cycle Stage

A consumer stage in the life cycle is an important variable - particularly in markets such as leisure and tourism. For example, contrast the product and promotional approach of Club 18-30 holidays with the slightly more refined and sedate approach adopted by Saga Holidays.

c. Gender

Gender segmentation is widely used in consumer marketing. The best examples include clothing, hairdressing, magazines and toiletries and cosmetics.

d. Income

Many companies target affluent consumers with luxury goods and convenience services. Good examples include Louise Phillip shirts, Hush Puppies shoes, mango and American Express. By contrast, many companies focus on marketing products that appeal directly to consumers with relatively low incomes. Examples include Nirma detergents, Lifebuoy soap, and discount clothing retailers such as Megamaart.

e. Social Class

Many marketers believe that consumers "perceived" social class influences their preferences for cars, clothes, home furnishings, leisure activities and other products & services. There is a clear link here with income-based segmentation.

f. Lifestyle

Marketers are increasingly interested in the effect of consumer "lifestyles" on demand. Unfortunately, there are many different lifestyle categorization systems, many of them designed by advertising and marketing agencies as a way of winning new marketing clients and campaigns.

Market Segmentation - Behavioural Segmentation

Behavioural segmentation divides customers into groups based on the way they respond to, use or know of a product.

Behavioural segments can group consumers in terms of:

a. Occasions

When a product is consumed or purchased. For example, cereals have traditionally been marketed as a breakfast-related product. Kellogg's have always encouraged consumers to eat breakfast cereals on the "occasion" of getting up. More recently, they have tried to extend the consumption of cereals by promoting the product as an ideal, anytime snack food.

b. Usage

Some markets can be segmented into light, medium and heavy user groups

c. Loyalty

Loyal consumers - those who buy one brand all or most of the time - are valuable customers. Many companies try to segment their markets into those where loyal customers can be found and retained compared with segments where customers rarely display any product loyalty. The airlines market is a very good example in this case. Most of these airlines run very good frequent fliers programme to retail customer loyalty.

d. Benefits Sought

This is an important form of behavioural segmentation. Benefit segmentation requires marketers to understand and find the main benefits customers look for in a product. An excellent example is the toothpaste market where research has found four main "benefit segments" - economic; medicinal, cosmetic and taste.

Market Segmentation - Geographic Segmentation

Geographic segmentation tries to divide markets into different geographical units: these units include:

- Regions: e.g. in India these might be North, South East, Northeast and West.
- Countries: perhaps categorised by size, development or membership of geographic region
- City / Town size: e.g. population within ranges or above a certain level
- Population density: e.g. urban, suburban, rural, and semi-rural
- Climate: e.g. Northern, Southern

Geographic segmentation is an important process - particularly for multi-national and global businesses and brands. Many such companies have regional and national marketing programmes, which alter their products, advertising and promotion to meet the individual needs of geographic units.

Firms need creative strategy planning to survive in our increasingly competitive markets.

Once a broad product-market is segmented, marketing managers can use one of three approaches to market-oriented strategy planning:

1. the single target market approach,

2. the multiple target market approach, and

3. the combined target market approach.

	Geographic	Demographics	Psychographic	Product related consumer characteristics
Potential Consumer Segments	Nation/Region State/region Climate/Terrain Population Density, Market density	Age, Sex, Buying Power, expenditure patterns, Occupation, education, Race or Nationality, family Life Cycle	Social class Personality Life Cycle	Amount of Usage Type of usage Brand Loyalty Benefits sought.

Fig 1.1 Segmentation variables

Market segmentation is a two-step process of:

1. *Naming* broad product-markets and

2. *Segmenting* these broad product-markets in order to select target markets and develop suitable marketing mixes.

This two-step process isn't well understood. First-time market segmentation efforts often fail because beginners start with the whole mass market and try to find one or two demographic characteristics to segment this market. Customer behavior is usually too complex to be explained in terms of just one or two demographic it would not be a useful dimension for segmenting

Activity 2

Define how you think MacDonald's; Pizza Hut and a local restaurant have segmented the market.

2.3 Criteria for segmenting a broad product-market and/or service)

Effective market segments generally meet the following criteria:

1. **Homogeneous (similar) within**—the customers in a market segment should be as similar as possible with respect to their likely responses to marketing mix variables *and* their segmenting dimensions.

2. **Heterogeneous (different) between**—the customers in different segments should be as different as possible with respect to their likely responses to marketing mix variables *and* their segmenting dimensions.

3. **Substantial**—the segment should be big enough to be profitable.

4. **Operational**—the segmenting dimensions should be useful for identifying customers and deciding on marketing mix variables.

It is especially important that segments be *operational*. This leads marketers to include demographic dimensions such as age, income, location, and family size. In fact, it is difficult to make some Place and Promotion decisions without such information. Avoid segmenting dimensions that have no practical operational use. For example, you may find a personality trait such as moodiness among the traits of heavy buyers of a product, but how could you use this fact? Salespeople can't give a personality test to each buyer. Similarly, advertising couldn't make much use of this information. So although moodiness might be related in some way to previous purchases.

The **combined target market approach**—combining two or more sub markets into one larger target market as a basis for one strategy.

Note that all three approaches involve target marketing. They all aim at specific, clearly defined target markets. For convenience, we call people who follow the first two approaches the "segmenters" and people who use the third approach the "combiners." Customers can be described by many specific dimensions. A few are behavioral dimensions, others are geographic and demographic. Regardless of whether customers are final consumers or organizations, segmenting a broad product-market may require using several different dimensions at the same time. To select the important segmenting dimensions, think about two different types of dimensions.
Qualifying dimensions are those relevant to including a customer type in a product-market. **Determining dimensions** are those that actually affect the customer's purchase of a specific product or brand in a product-market.

By *differentiating* the marketing mix to do a better job meeting customers' needs, the firm builds a competitive advantage. When this happens, target customers view the firm's position in the market as uniquely suited to their references and needs. Further, because everyone in the firm is clear about what position it wants to achieve with customers, the Product,

Promotion, and other marketing mix decisions can be blended better to achieve the desired objectives.

Although the marketing manager may want customers to see the firm's offering as unique, that is not always possible. Me-too imitators may come along and copy the firm's strategy. Further, even if a firm's marketing mix is different, consumers may not know or care. They're busy and, simply put, the firm's product may not be that important in their lives. Even so, in looking for opportunities it's important for the marketing manager to know how customers *do* view the firm's offering. It's also important for the marketing manager to have a clear idea about how he or she would like for customers to view the firm's offering. This is where another important concept**,** *positioning*, comes in.

3. Positioning

Positioning refers to how customers think about proposed and/or present brands in a market. A marketing manager needs a realistic view of how customers think about offerings in the market. Without that, it's hard to differentiate. At the same time, the manager should know how he or she *wants* target customers to think about the firm's marketing mix. Positioning issues are especially important when competitors in a market appear to be very similar. For example, many people think that there isn't much difference between one brand of TV and another. But Sony wants TV buyers to see its Trinitron brand screen as offering the very best picture.

Once you know what customers think, then you can decide whether to leave the product (and marketing mix) alone or reposition it. This may mean **physical changes** in the product or simply **image changes based on promotion**. For example, most cola drinkers can't pick out their favorite brand in a blind test—so physical changes might not be necessary (and might not even work) to reposition a cola. Yet, ads that portray Pepsi drinkers in exciting situations help position it as the "choice of a new generation." Conversely, 7-Up reminds us that it is the uncola with no caffeine, "never had it and never will." Figuring out what customers really think about competing products isn't easy, but there are approaches that help. Most of them require some formal marketing research. The results are usually plotted on graphs to help show how consumers view the competing products. Usually, the products' positions are related to two or three product features that are important to the target customers.

Managers make the graphs for positioning decisions by asking consumers to make judgments about different brands—including their "ideal" brand—and then use computer programs to summarize the ratings and plot the results. The details of positioning techniques—sometimes called "perceptual mapping"—are beyond the scope of this lesson.

Remember that positioning maps are based on *customers' perceptions*—the actual characteristics of the products as detected by chemical tests might be quite different.

Positioning is based on customers' views
Differentiation and Positioning Take the Customer Point of View
Opportunities Can Begin by Understanding Markets

Chapter 1

The study of Consumer Behaviour
Lesson 1.05

Tutorial on Segmentation

1a. Suppose you are the marketing manager for a new Maruti sports car that is going to be launched. How would you use intermarket segmentation to develop marketing strategies for Maruti?

1b. In reference to the question above, how would you best communicate to the target audience? Describe your promotion campaign for Maruti.

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4. Developing a Target Market Strategy

Developing a target market strategy has three phases:

1. Analyzing consumer demand
2. Targeting the market(s)
   - Undifferentiated
   - Concentrated
   - Multisegmented
3. Developing the marketing strategy

4.1 Selecting Target Markets (Analyzing Demand)

Need to aggregate consumers with similar needs.

Demand patterns: Do all potential customers have similar needs/desires or are there clusters? Types of demand patterns are:

- **Homogeneous Demand**-uniform, everyone demands the product for the same reason(s).
- **Clustered Demand**-consumer demand classified in 2 or more identifiable clusters.
- **Diffused Demand**-Product differentiation more costly and more difficult to communicate IE Cosmetic market, need to offer hundreds of shades of lipstick. Firms try to modify consumer demand to develop clusters of at least a moderate size. Or uses one MARKETING MIX.

4.2 Targeting the Market

4.2.1 Undifferentiated Approach (Total Market approach)

Single Marketing Mix for the entire market.

All consumers have similar needs for a specific kind of product. Homogeneous market, or demand is so diffused it is not worthwhile to differentiate, try to make demand more homogeneous.

Single marketing mix consists of:

- 1 Pricing strategy
- 1 Promotional program aimed at everybody
- 1 Type of product with little/no variation
- 1 Distribution system aimed at entire market

The elements of the marketing mix do not change for different consumers; all elements are developed for all consumers. Examples include Staple foods-sugar and salt and farm produce. Henry Ford, Model T, all in black.

Popular when large-scale production began. Not so popular now due to competition, improved marketing research capabilities, and total production and marketing costs can be reduced by segmentation.

Organization must be able to develop and maintain a single marketing mix.

Major Objective is to Maximize Sales

Market segmentation - why segment markets?
There are several important reasons why businesses should attempt to segment their markets carefully. These are summarized below

Better matching of customer needs
Customer needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution

Enhanced profits for business
Customers have different disposable income. They are, therefore, different in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits

Better opportunities for growth
Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being introduced to a particular product with an introductory, lower-priced product

Retain more customers
Customer circumstances change, for example they grow older, form families, change jobs or get promoted, change their buying patterns. By marketing products that appeal to customers at different stages of their life ("life-cycle"), a business can retain customers who might otherwise switch to competing products and brands

Target marketing communications
Businesses need to deliver their marketing message to a relevant customer audience. If the target market is too broad, there is a strong risk that (1) the key customers are missed and (2) the cost of communicating to customers becomes too high / unprofitable. By segmenting markets, the target customer can be reached more often and at lower cost
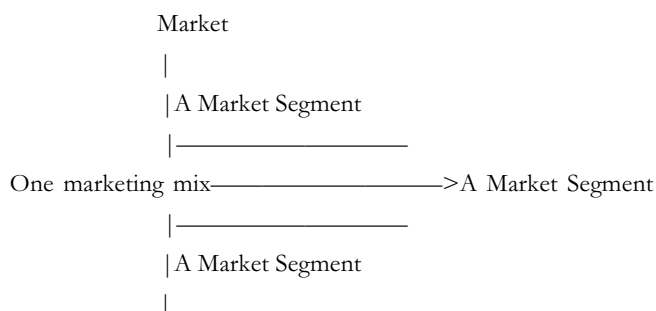
Gain share of the market segment
Unless a business has a strong or leading share of a market, it is unlikely to be maximizing its profitability. Minor brands suffer from lack of scale economies in production and marketing, pressures from distributors and limited space on the shelves. Through careful segmentation and targeting, businesses can often achieve competitive production and marketing costs and become the preferred choice of customers and distributors. In other words, segmentation offers the opportunity for smaller firms to compete with bigger ones

5. Market Segmentation Strategies
There are two Market Segmentation Strategies

5.1 Concentration Strategy.
This strategy talks of single market segment with one marketing mix.

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        Market
        |
        |A Market Segment
        |————————————
One marketing mix——————————————>A Market Segment
        |————————————
        |A Market Segment
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PROS include
- It allows a firm to specialize
- Can focus all energies on satisfying one group's needs
- A firm with limited resources can compete with larger organizations.

CONS include
- Puts all eggs in one basket.
- Small shift in the population or consumer tastes can greatly effect the firm.
- May have trouble expanding into new markets (especially up-market). Haggar having problems finding someone to license their name for womens apparel, even though women purchase 70% Haggar clothes for men.

Objective is not to maximize sales; it is efficiency, attracting a large portion of one section while controlling costs.

Examples include ROLEX, Anyone wear one.
Who are their target markets??

5.2 Multi-segment Strategy
2 or more segments are sought with a marketing mix for each segment, different marketing plan for each segment. This approach combines the best attributes of undifferentiated marketing and concentrated marketing.

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              Market
Marketing mix——————————————>|a market segment
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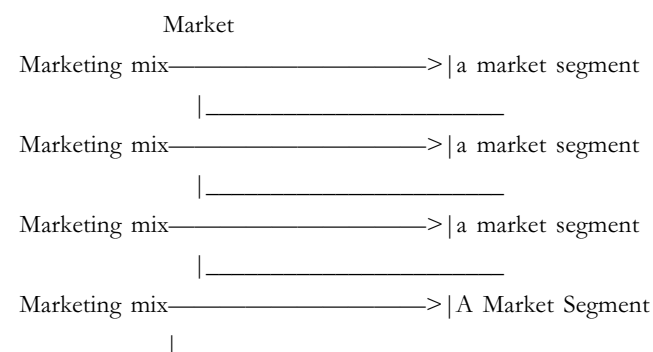
Example: Marriott International:

1. Marriott Suites...Permanent vacationers
2. Fairfield Inn...Economy Lodging
3. Residence Inn...Extended Stay
4. Courtyard By Marriott...Business Travelers

PROS include

- Shift excess production capacity.
- Can achieve same market coverage as with mass marketing.
- Price differentials among different brands can be maintained Contact Lens!!
- Consumers in each segment may be willing to pay a premium for the tailor-made product.
- Less risk, not relying on one market.

CONS include

- Demands a greater number of production processes.
- Costs and resources and increased marketing costs through selling through different channels and promoting more brands, using different packaging etc.
- Must be careful to maintain the product distinctiveness in each consumer group and guard its overall image (Contact lenses)

The core product is the same, use different Packaging, Brand Name, Price to differentiate and create a different marketing mix. What will happen if consumers find out??

Objective: Sales maximization, but can remain a specialist. Can get firmly established in one segment, then pursue another.

Activity 3

What major differences do you observe amongst the users of Surf and Nirma in terms of various life-style dimensions?

Life-style dimension   Surf   Vs.   Nirma

a. Activities

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b. Interests

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c. Opinions

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d. Demographics

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Case on Segmentation

Satish: The Meatwalla

Introduction

Satish Sehajpal was an officer in the air force. He belonged to the administrative and special duties branch and had specialized in catering. He had undergone many courses and training programmes to prepare himself for the onerous responsibilities of looking after the dietary needs of airmen located at various bases. Sehajpal had studied hygiene, nourishment, diet planning, quality assurance of food products, cooking tech-niques and so on. He enjoyed his work and his fatherly figure (he looked older than is 42 years) evoked respect from all those whose food he looked after. His seniors listened to his advice and his colleagues loved his helpful nature, laughter and hospitality.

Life look a turn when Satish Sehajpal lost his father. Sehajpal was very fond of his parents and realized that the responsibility of looking after his mother had fallen fully on him. His father had left a substantial amount of investments. Satish Sehajpal had to reluctantly leave the air force and settle in Hyderabad.

The Industrialist

Satish went in search of a suitable occupation. A number of friends suggested that he set up a 5-star eating place because of his background in catering. He was examining various alterna-tives when he came across an advertisement for the sale of a meat processing plant and an abattoir. The company, M/s Bindu & Gautam, exported meat to the Middle East in ready to consume packaging for a family. Satish Sehajpal studied the details and conclude that:

1. M/s Bindu & Gautam had set up this industry from the scratch. It had been consistently returning profits from the time it started commercial production.

2. The company had a turnover of approximately Rs 8 crore per annum, though the capacity of the processing plant and the abattoir was 12 tonnes of finished product per day.

3. The sale of the plant could be considered a distress sale to some extent since the owners, Bana and Girish were migrating to Canada to settle with their children. The owners would be happy to get the total price in their hand at one go. This would enable them to leave the country quickly.

   Instalment payments were not satisfactory from them.

4. Satish Sehajpal could afford to buy the plant from the assets left by his father.

The deal went through quickly and smoothly. Satish Sehajpal was happy at having become an industrialist 'Satish Sehajpal, Industrialist' sounded great. However, his friends gave him the title 'Satish: The Meatwalla'. This angered Satish and in protest, he gave up eating meat.

The Problems

Slowly, Satish Sehajpal started understanding the problems. The most difficult area of working was kickbacks, speed money, 'tips', etc. His 2 decades in the air force had prepared him for many things, but not these facets of working. Second, there was the problem of purchasing proper inputs and organizing timely transportation. He had a good materials manger named Nikhil, who made all the arrangements economically and efficiently. The third and most important problem was that of quality control. Satish Sehajpal realized that M/s Bindu & Gautum would continue to make good profits as long as there were no rejections of meat consignments abroad. He was quick to understand that though the processing plant and the abattoir were fairly modern, there were so many reasons for the consignments not being accepted. The reasons could be non-conformance with stringent quality requirements, rejections due to delayed delivery, temporary cancellation of order for brief period due to political or religious reasons, labour trouble in various organizations, etc. Disposal of non-accepted consignments or those returned from abroad or not sent there at the last moment was a real problem. This had tobe tackled with minimum losses.

There was also the problem of exports being reduced or orders being cancelled altogether. Other Asian and African countries had been viewing the meat markets of the Middle East M/s Bindu & Gautum were, therefore, seriously worried about losing their sole market or the market shrinking due to various reasons.

Satish Sehajpal was, one day, approached by 3 of his senior managers; Jyouti, who headed financ, Samir, who was in charge of production and Dastidar, the marketing in charge. They had come up with a proposal. Samir suggested that with marginal additional investment, the turnover could be increased by 20-25 per cent. The previous owners had been keen to wind-up and had thus not accepted their proposal to increase the utilization factor of the plant and the abattoir. Jyoti added that the additional investment would be around Rs 60 lakh. This could be spread over 9-10 months and bankers could be persuaded to extend additional credit for 5 years, in which time the company would be able to show an increased turnover. Jyoti continued that higher levels of production would also reduce the cost of the meat being produced and thus improve the profits. It was, however, Dastidar who sold the idea. He argued that M/s Bindu & Gautum should look at the growing domestic market. The Indian market continued to be serviced by the conventional butchers/meat sellers. The consumers would respond positively to a quality product. The image of M/s Bindu & Gautum as meat exporters would stand them in good stead in the national market. Sales in the domestic market could also provide the much-needed cushion against possible consignment rejections, cancellations or shrinking of orders from abroad. Diversification into the Indian market, Dastidar emphasized, was inescapable.

Segmentation

Satish Sehajpal showed his inclination to consider the suggestion unanimously put up by his senior team. He, however, felt that the local meat market was too wide to be covered at one stroke. A detailed study was to be conducted by Dastidar, as per the directions of Mr Sehajpal, during the following 4 weeks. After the study, Dastidar's findings were presented to the management team consisting of Satish, Nikhil, Jyoti, Samir etc. Dastidar proposed that initially M/s Bindu & Gautum should concentrate on selling their product in the states of Maharashtra and Andhra Pradesh only. The market could be divided as follows:

1. An upper segment of the market where the customers were willing topay additional prices for high quality, hygienically produced and packed meat. This segment would like fat-free meat without any spices, since about 15-20 per cent of the buyers in this category were liked to be foreigners. This segment could consume all the additional production being planned at M/s Bindu & Gautaum. The products for this segment would have to be the same as those being exported and thus the investment would be low and waste of time to change from one product to another would be avoided. However, there was little chance of the Middle East. Selected outlets in high-income group areas would have to be approached to retail the meat. Some advertising would be needed.

2. Institutional sales to hotles, restaurant, hospitals, hostels, etc., could absorb not only the increased output but a substantial (say up to 30-40 per cent) portion of the meat being exported. The packaging would have to be changed to bulk packaging and the institutions would insist on regular and assured supplies at lower prices. The product would have to be changed to suit Indian cuisine. Not much advertising would be needed.

3. Middle level bazaar sales would require product change to suit Indian cuisine, though the packing could continue to be the same as that used for export consignments. A large number of retail outlets would have to be approached. Considerable advertising would be needed. A rough estimate showed that the market would be price sensitive. Lower prices could increase the size of the existing market. A comprehensive market research study would be required to determine the sizes of the market at different prices. At a first approximation, this market could equal the institutional market at similar prices.

Conclusion

The management team listened to Mr. Dastidar's presentation. Samir Verma, the production chief, added that investments for changing the products to suit Indian cuisine would be small and may be ignored. The senior managers could not decide which segment of the market would be more suitable for M/s Bindu & Gautum. The team left the decision to you: the management consultant. What will be your recommendation and why?

Maximum time to solve this case study: 40 minutes.

Market Segmentation
Article 1
Audit Your Marketing

Evaluation of all aspects of marketing periodically is important to keep your brand in good shape.

There is wisdom in running a check

- *Has Kellogg's Cornflakes increased its household penetration?*
- *Has the awareness of AirTel gone up?*
- *Is Intel increasing its perception amongst new computer users?*
- *Is Ghari detergent expanding its distribution network from the North to other parts of the country?*
- *What could be the future growth map of Ujala?*
- *How is the relationship between Rasna and its target consumers developing after the new campaign?*

THESE and many more questions come up during the life of a brand.

Would you not like to know the health of your brand through a regular Brand Health check-up? I would recommend that you regularly do a marketing audit of your brand so that the brand remains healthy and strong.

What is marketing audit? And why do I strongly recommend that it be conducted every quarter as well as annually?

Marketing audit involves thorough evaluation of all elements of marketing. The assessment is enabled by a comparison with the objectives and targets, set not only in terms of sales but in parameters such as the ratio of advertising to sales, percentage of awareness , percentage of household penetration, performance of the sales force and promotional programmes.

Qualitatively too, elements such as brand personality and the health of the brand, among others, are audited.

Further, there is a process audit as well as a strategy audit, which establishes whether the marketing task is being carried out right.

The major components of marketing audit are done in a sequence, starting with consumer behaviour. This helps the company understand its customers, why they buy its products and services, where and how they use its products, and similar behavioural patterns.

After the consumer behaviour audit, it is important to look at specific elements related to customer segmentation as well as the audit of target audience selection. This is important because even with the right product and communication, a company may not achieve the desired results if it targets the wrong audience. Further, segmentation needs to be clear and defined and its basis chosen well, whether it be usage segmentation, through psychographics or benefit segmentation.

The next element of marketing audit is related to the main ingredients of a brand — the positioning strategy. After segmentation audit, it is important to evaluate the positioning stance of the brand and its relevance in the current context as well as versus competition. This is crucial, as consumers change and brands must have a relevant and contemporary positioning to have a long life.

After this, it is important to look at each element of the marketing mix.

First and foremost is product portfolio audit, which is employed to assess the correctness of the product in range, as also decide on modifications to it. It is also vital to do a pricing audit, and regularly monitor its impact on sales, market share and profits and check if you are available at appropriate price points.

Following this, a series of audits needs to be done for existing products, pricing, customer service, distribution sales, marketing research, people, physical appearances, ambience and processes. This detailed analysis is useful to measure the health of the brand. It is like a quarterly medical check-up of the brand.

The next stage involves a detailed audit of the communication strategy. This is significant as large sums of money will be wasted if the communication strategy is not handled well.

Following this is the communication-mix audit, which covers strategies for advertising, personal selling, public relations, sales promotion, perception, relationship, direct marketing and event marketing.

After this, it is crucial to summarise the findings and bring about the most value-added contribution during the marketing audit process. This is the stage of interpretation of the findings, which helps in correcting the course in terms of structure, systems and awareness at the consumer level, trade, sales force and overall organisation process.

Very few companies in India practise the system of marketing audit. It is important to regularly check, assess and evaluate your marketing and brands process and systems to ensure awareness, trials, repeats, higher sales growth, marketing share and profits for your brands.

Marketing Segmentation
Article 2
Going Regional

Marketers would do well to remember that a single marketing strategy for the various markets in the country won't work.

LOOK at the traditional segmentation used by marketers and corporate strategists. Most plans, particularly in the FMCG industries, are based on an urban-rural segmentation, or

segmentation by socio-economic classification (SEC). The implicit assumption is that consumers across the country are largely similar (except for language), and hence these segmentations adequately capture any differentiation.

There are two reasons for re-examining this assumption. First, it simply may not be true! India is a mosaic of very different cultures and regions - are such simplistic assumptions workable? True, this approach has worked pretty well in the past, but that is more likely due to the 'first mover' effect. The rural markets in particular were so underdeveloped that anyone at all who bothered to reach them got rich dividends.

Today, things are different. The growth of television and improvement in roads has led to rural consumers becoming far more aware of products and services. Companies in personal care, foods, textiles, consumer appliances and other FMCG products have bombarded these markets with small packs and other 'rural' products. As a result, new entrants trying to enter the rural markets today face issues such as lack of good stockists, overcrowded retail shelves, intense competition and brand-savvy customers. In fact, the situation is very similar to the urban markets.

Which brings us to the second reason. With the rural markets no longer a guaranteed source of sales, where do marketers go? One option is to penetrate even deeper into the countryside, down to villages with population less than 2,000.

HLL for one is doing this, but the effort remains beyond most other companies. Another option is to go in for narrower product niches, like toothpastes with three stripes versus those with two stripes. But these lead quickly to consumer confusion and fatigue, as well as the company finding itself saddled with a logistical nightmare. Further, these approaches still assume a great degree of uniformity across the country.

A third approach is for a company to have a uniform platform for its product, but make it available in different forms in different regions, as done by some tea brands like Taaza. But for this, the product category must both be capable of a uniform promise (easy), and of being delivered in different, yet suitable variants (very difficult except for a few products).

A promising way out is to re-examine this basic assumption. As mentioned earlier, India is not a uniform market. Regional differences are enormous. Yes, there will always be some common factors, which, after all is what national brands tap into. But it is now time to shift from a 'one size fits all' approach to customised, region-specific marketing.

This needs a mindset very different from the one that, for example, considers a Hindi, essentially northern belt ad translated into Tamil as 'regionalised'. Each region has a strong culture and set of traditions - regionalised marketing must begin with products that fit this, then carry on to communication specifically developed for the region.

It is not a coincidence that while the larger, 'national brand'-oriented FMCG companies are slowing down, small regional players with products and communication fine-tuned to their markets are zipping ahead. An Arokya ad is quintessentially Tamil, in a way that no translated Nestle ad, no matter how slickly produced, can ever be.

The advantages are several. Regional markets are geographically contiguous, making logistics much easier than for national brands. It is easier to penetrate deeper into markets if the operation is geographically restricted.

The burst of regional satellite TV means that they can be covered by TV far more cheaply and more cost effectively than on national media. Regional print can now be used far more efficiently. Economies of scale? Most industries have more than enough excess capacity available for outsourcing.

Of course, this is not a panacea. Some industries, such as cosmetics, personal care and foods, lend themselves more to this approach. Others either do not, or are so capital-intensive (like cars) that the approach isn't economically viable.

More important, business will effectively move from a portfolio of a few, large brands to an agglomeration of small, regional ones.

This puts severe stress on the organisation. A regional strategy is useless without decentralised control of production and marketing. A mechanism is needed to maintain financial and operational control over several, possibly dozens, of operating units. Communication between marketing and front line sales representatives has to be improved to ensure a quick response in local markets. Managers have to be convinced that working in a regional, non-metro office is not a career dead-end.

But all these are manageable issues. In fact, companies such as Bata in footwear, or even HLL (in its erstwhile Animal Foods Division), have handled the challenge of delivering localised products from a national system without ending up with inventory logjams or unwanted products. Note that this entire approach involves changing the company so as to meet consumer needs better, rather than trying to give the consumer what is convenient for the marketer. And isn't that what marketing is supposed to be all about?

Article 3
M and M Launches Bolero Variant

Mahindra & Mahindra (M&M) has launched an open-top variant of the Bolero called Invader in a bid to create a new segmentation in the highly cluttered Indian car market. The vehicle has been positioned as having the power of a sport utility vehicle as well as the comfort of a car.

However, company officials felt that the Invader would not cannibalise M&M's existing offerings. M&M decided to launch the soft-top version on the Bolero platform, instead of Scorpio as the company felt that this would enable it to keep the vehicle in the price segment. Moreover, the retro-fit appeal of Bolero would be more in tune with the Invader, according to M&M vice president (marketing) Rajesh Jejurikar.

M&M would replace its "Classic" model with the new Bolero variant. The company currently sells around 1,300 units of soft-tops per month. The base version has a price tag of Rs 3.78 lakh (ex-showroom Jaipur).

M&M executive director and president (automotive sector) Alan Durante said that the company was looking at the African market for exports apart from neighbouring countries. It could be useful for government agencies like the police or defence

establishments, he added. On exports, Mr Durante said that initially the company was planning it on CBU (completely built units) basis for its vehicles unless there is demand to set it up as a separate facility.

Production of Bolero would continue to be in the region of 750-800 units a month. Company officials, however, did not divulge sales target for the new vehicle, preferring to say that the company was fully geared to meet the demand. The petrol version of the "Invader" with an Isuzu engine would be available in the next three to four months. The vehicle would initially be available in the four metros, Jaipur and Chandigarh from mid-April and a phased rollout across the country from May onwards. The vehicle is powered by a 2.5 litre IDI diesel engine offering 72.5 bhp output with a DI diesel version, and 58 Bhp diesel engines.

Nimble Brands Stay Eternal

Brand owners need to remember that brands that don't keep up get lost quickly. They first become irrelevant, then invisible and then they're gone!

Levi's is a brand that has stood the test of time.

The markets are cluttered with products, technologies and services, and it is branding that has helped successful products/ services/ companies stand out from the crowd and avoid the commodity trap. My study so far indicates that recent years have seen a big surge in the awareness of brand building. Yet, do brands have life cycles or are they eternal? What puzzles me about this is that there have been innumerable instances where a particular product was very popular once, but was rejected later simply because it was identified with the older generation.

Similarly, I read about an interesting situation involving the Matiz and the Santro. The sales of the Santro started off well in Chennai and in the South, in general. In time, it came to be perceived by people in the North as a South Indian car, and hence the Matiz was preferred! I am not sure how true this is or how extensive the study was. But this gives me the impression that while brands can be more enduring, they can be limited by the boundaries of the classification or segmentation made by the market. This segmentation can be based on age, geography or any other parameter. What are your thoughts on this?

In another piece of literature on branding, I came across yet another interesting view that suggests that customers (or the market) do not fall into fixed segmentation patterns. Rather, they are defined by what the brand communicates. The writer took pains to explain that despite changes in business, technology, social and economic conditions, market perceptions of brands have not changed much. The market reacts to the brand based on what the brand offers. Every brand offers a set of promises or values that appeal to the targeted segment in a particular way. The trick is to have the product or service meet the values or promises for the brand to succeed.

Based on all these views, I have the following questions: Are brands really eternal? Are they otherwise limited by the way markets segment them or are they limited by the values or attributes or promises they offer?

YOUR question is all the more pertinent today, given the rapid growth in technology leading to the creation and obsolescence of product categories and resulting in ever changing consumer needs.

This is clearly the best of times and the worst of times for big brands. While brands such as Marlboro, Levi's, Campbell, Sunsilk and Lifebuoy continue to enjoy high popularity after many decades and across many continents, iconic brands such as Polaroid, Cadillac and Oldsmobile have either died or are going through very troubled times. What determines the life of a brand and why have some brands been successful where others have failed?

The answer lies in many factors that affect the brand. The first to be considered is the linkage of a brand with a particular product category. If a brand has established itself very strongly in a product category and the category itself becomes obsolete, the brand will die a natural death, unless the company has the foresight and vision to enter related contemporary product categories that enable it to build on the existing equity of the brand.

Take the classic example of Polaroid which had established itself as a strong brand in instant photography and is facing troubled times because the technology is no longer relevant. A logical extension for the brand would have been to enter digital photography where its promise of instant photography would have been all the more relevant.

A similar example closer home is that of Singer sewing machines, a name that was almost synonymous with sewing machines in India for many decades, but failed to extend into related categories as the market for sewing machines began declining. Usha sewing machines, on the other hand, successfully transferred some of the equity from sewing machines to launch a range of home appliances under a sub-brand, Usha Lexus.

The second factor to be considered is the core promise of the brand or the reason why consumers prefer the brand to other competing brands. In the case of Cadillac, the automobile offered consumers 'luxury'. However, over a period of time new brands such as BMW, Mercedes, Ferrari or Alpha Romeo came into the market and offered consumers not just 'luxury' but 'luxury combined with superior performance'. In fact, studies show that luxury for luxury's sake is no longer relevant to those under 60 who are buying luxury cars. Cadillac is today a struggling brand because it did not adapt its promise to meet the changing needs of its consumers. Consumer expectations have risen and Cadillac is today performing below expectations.

Sunsilk, a Unilever brand launched in 1954, is an example of a brand that has been continuously appealing to different consumer segments in 40 markets across the globe, due to its understanding of the requirements of different consumers and being able to consistently address these through a range of products. Some recent product innovations include colourants, Afro Hair and Black Hair.

The third factor, as correctly pointed out by you, is the target market and target segments for the brand. Many successful power brands have learnt that to extend the life cycle of a brand, it is not always necessary to either enter new categories or re-position the brand, but simply to re-define the brand's target market and segments. Marlboro, a brand built in the US, realised that the changing lifestyles and habits of US citizens were moving them away from the smoking habit and immediately launched the brand in less health-conscious countries. The Marlboro brand today is the preferred brand in Russia. Similarly, a brand such as Starbucks has been extremely successful in dealing with flagging sales in the US by entering new markets, such as China. The entry of Ford Motors and Toyota in the Indian market also illustrates this principle.

A brand's life cycle, unlike the product life cycle, is thus infinite and depends on the light-footedness, vision and capabilities of the team managing the brand. The threat of extinction is heightened depending on the industry or the sector. Product categories such as automobiles, information technology, fashion and so on face a far greater threat of extinction. My advice to all brand owners is to follow the simple rule — remember that brands that don't keep up get lost quickly. They first become irrelevant, then invisible and then they're gone!

Key Terms

- Market segmentation
- Mass marketing
- Positioning
- Repositioning
- Geographic segmentation
- Micro marketing strategies
- Demographic segmentation
- Psychological segmentation
- Sociocultural variables
- Use-related segmentation
- Benefit segmentation
- Hybrid segmentation
- VALS
- Counter segmentation
- Differentiated marketing

Points To Remember

Market Segmentation	The process of dividing a potential market into distinct subsets of consumers and selecting one or more segments as a target market to be reached with a distinct marketing mix.
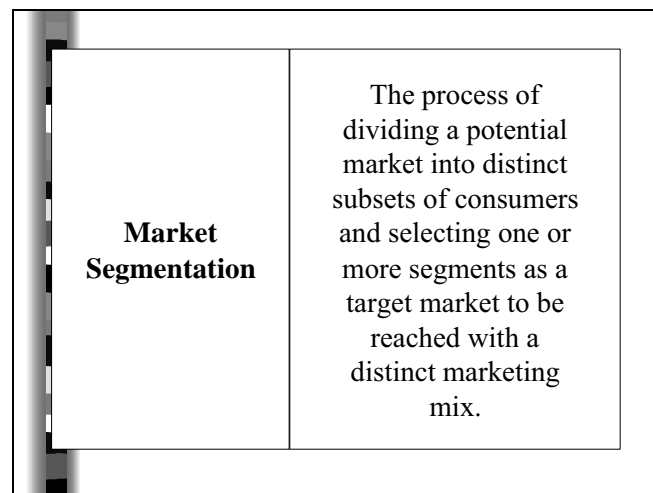
Three Phases of Marketing Strategy

- Phase 1: Market Segmentation
- Phase 2: Target Market and Marketing Mix Selection
- Phase 3: Product/Brand Positioning

Table 3.2 Market Segmentation

SEGMENTATION BASE	SELECTED SEGMENTATION VARIABLES
Geographic Segmentation	
Region	Southwest, North American, Alaska, Hawaii
City Size	Major metropolitan areas, small cities, towns
Density of area	Urban, suburban, exurban, rural
Climate	Temperate, hot, humid, rainy
Demographic Segmentation	
Age	Under 11, 12-17, 18-34, 35-49, 50-64, 65-74, 75-99, 100+
Sex	Male, female
Marital status	Single, married, divorced, living together, widowed
Income	Under Rs25,000, Rs25,000-Rs34,999, Rs35,000-Rs 49,999, Rs50,000-Rs74,999, Rs75,000-Rs99,999,
Education	Some high school, high school graduate, some college, college graduate, postgraduate
Occupation	Professional, blue-collar, white-collar, agricultural, military

Bases for Segmentation

- Geographic Segmentation
- Demographic Segmentation
- Psychological Segmentation
- Psychographic Segmentation
- Sociocultural Segmentation
- Use-Related Segmentation
- Usage-Situation Segmentation
- Benefit Segmentation
- Hybrid Segmentation Approaches

Table 3.2, continued

SEGMENTATION BASE	SELECTED SEGMENTATION VARIABLES
Psychological Segmentation	
Needs-motivation	Shelter, safety, security, affection, sense of self-worth
Personality	Extroverts, novelty seeker, aggressives, low dogmatics
Perception	Low-risk, moderate-risk, high-risk
Learning-involvement	Low-involvement, high-involvement
Attitudes	Positive attitude, negative attitude
Psychographic	
Lifestyle) Segmentation	Economy-minded, couch potatoes, outdoors enthusiasts, status seekers
Sociocultural Segmentation	
Cultures	American, Italian, Chinese, Indian, French, Pakistani
Religion	Hindu, Moslem, Christian, Sikh, other
Subcultures (Race/ethnic)	North-Indian, South-Indian
Social class	Lower, middle, upper
Family life cycle	Bachelors, young married, full nesters, empty nesters

LESSON 5:
CONSUMER RESEARCH PROCESS

Introduction

In order to implement the marketing concept, marketers require information about the characteristic, needs, wants and desires of their target markets. To undertake marketing effectively, businesses need information. Information about customer wants, market demand, competitors, distribution channels etc.

Objectives

After going through this lesson you should be able:

- To understand the concept of Consumer research

- To learn the steps involved in the marketing research process.

- To understand the functions and important issues of each step in the process.

1. Consumer Research Process

Before moving into the consumer research process, let us first understand a very key issue in consumer research, i.e., the difference between market research and marketing research.

Marketing Research vs. Market Research

You will find that these terms often are used interchangeably, but technically there is a difference. *Market research* deals specifically with the gathering of information about a market's size and trends. *Marketing research* covers a wider range of activities. While it may involve market research, marketing research is a more general systematic process that can be applied to a variety of marketing problems.

The eight-Step Research Process

We are depicting the consumer research process in eight steps:

1. 1a. Problem/opportunity identification, 1b. Problem/opportunity formulation

2. Create the research design

3. Choosing a basic method of research

4. Selecting the sampling procedure

5. Data collection

6. Data analysis

7. Preparing and writing the report

8. Follow-up

Step one a: problem/opportunity identification

1. The research process begins with the recognition of a business problem or opportunity.

2. Problem/opportunity emerges when: Environment change.

3. Examples: Technological breakthrough, new legal policy, social change, high unemployment rate.

4. How to know there is an environmental change? Continuous information collection/search, internal data, managerial experience, or even gut feeling may help.

5. Two fundamental questions that is asked: (1) should we alter our marketing mix in order to perform better? (2) If so, what should we do?

6. Another important question could be: Can we predict possible environmental change? This can be done by using historical data and trying to find trend and factors that affect the emergence of such trend.

Three key questions to answer at the problem/opportunity definition stage

1. Why is the information being sought? (1) Make sure what conclusions you want to get and you will know what information you will need (backward approach). (2) If I omit this piece of information, what will happen?

2. Does the information already exist? Secondary data, internal data are sufficient? Or we have to acquire primary, external data?

3. Can the question really be answered? It suggests that you have to know your limitations. You may find difficulties in finishing your research if: (1) the problem is too broad, too complicated. (2) Involve tremendous resource input. (3) The environment is too unstable, (4) The issue is too sensitive etc.

Expectancy of Problem	Immediacy of Solution	
	Immediate solution requirement	Immediate solution not required
Occurrence of problem expected	Routine	Planning
Occurrence of problem unexpected	Emergency	Evolving

Figure 1.1 below shows the different types of problems we may face and this information we can use while formulating the problem.

Fig 1 Types of problems

Step One b: Problem/Opportunity Formulation

1. Information is needed to clarify your research question.

2. You can use exploratory research, literature review, personal interview, focus group and other techniques to obtain information to formulate your research question.

3. Exploratory research: small-scale research undertaken to define the exact nature of the problem and to gain a better understanding of the environment within which the problem has occurred.

4. Literature review. Obtain secondary from secondary literature, such as newspapers, magazines, books and professional journals. You have to know that their usage and credibility will be different.

5. Interview with the related parties.

6. Focus group: Usually a moderator in an in-depth discussion leads a small group on one particular topic or concept.

The decision problem faced by management must be translated into a market research problem in the form of questions that define the information that is required to make the decision and how this information can be obtained. For example, a decision problem may be whether to launch a new product. The corresponding research problem might be to assess whether the market would accept the new product.

The objective of the research should be defined clearly. To ensure that the true decision problem is addressed, it is useful for the researcher to outline possible scenarios of the research results and then for the decision maker to formulate plans of action under each scenario. The use of such scenarios can ensure that the purpose of the research is agreed upon before it commences.

Setting up the Research Objectives

1. A statement of research objectives. For example: "This research investigates the relationship between demographic background and musical preference. More specifically, this **study studies how age, sex, income level** and **educational level** determine consumer preference on **film and classical music**."

2. Declare the precise information needed.

3. It should be specific and unambiguous as possible.

4. The entire research efforts should be directed to accomplish the research objectives.

5. Sometimes, **theories** and **models** are set up.

6. Sometimes, **hypotheses** are set up.

Step Two: Creating the Research Design

1. A plan that researchers follow to answer the research objectives and/or test the hypotheses.

2. Whether the design will be **Descriptive** and/or **Causal (diagnostic and predictive)**?

3. **Descriptive design**: Answer the questions who, what, when, and how.

4. In quantitative research, we may calculate the mean, median, mode or S.D. of the data collected. For example: 35% of the respondents said they like classical music.

5. **Causal design**: Examine whether one variable causes or determine the value of another variable (two variables at least).

6. Independent variable (The cause, example demographic variables) and dependent variable (the outcome, musical preference).

7. In quantitative research, you may use regression analysis to analyze the association between two (or more) variables. For example, the older the respondent, the more he likes classical music.

Now let us now look more in details at each of the three categories of marketing research, viz.,

- Exploratory research
- Descriptive research
- Causal research

These classifications are made according to the objective of the research.

- **Exploratory Research** has the goal of formulating problems more precisely, clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas, and forming hypotheses. Exploratory research can be performed using a literature search, surveying certain people about their experiences, focus groups, and case studies. When surveying people, exploratory research studies would not try to acquire a representative sample, but rather, seek to interview those who are knowledgeable and who might be able to provide insight concerning the relationship among variables. Exploratory research may develop hypotheses, but it does not seek to test them. Exploratory research is characterized by its flexibility.

- **Descriptive research** is more rigid than exploratory research and seeks to describe users of a product, determine the proportion of the population that uses a product, or predict future demand for a product. As opposed to exploratory research, descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection. In other words, **the who, what, where, when, why, and how** aspects of the research should be defined. Such preparation allows one the opportunity to make any required changes before the costly process of data collection has begun.

There are two basic types of descriptive research: *longitudinal studies and cross-sectional studies.* Longitudinal studies are time series analyses that make repeated measurements of the same individuals, thus allowing one to monitor behavior such as brand switching. However, longitudinal studies are not necessarily representative since many people may refuse to participate because of the commitment required. Cross-sectional studies sample the population to make measurements at a specific point in time. A special type of cross-sectional analysis is a cohort analysis, which tracks an aggregate of individuals who experience the same event within the same

	Prepurchase search	Ongoing search
Determinants	• Involvement in the purchase • Market environment • Situational factors	• Involvement with the product • Market environment • Situational factors

Motives	• To make better purchase decisions
	• Increased product and market knowledge.
	• Better purchase decision
		• Build a bank of information for future use
		• Increased product and market knowledge leading to:
		  • Future buying efficiencies
		  • Personal influence

Outcomes	• Increased satisfaction with the purchase outcome	• Increased impulse buying • Increased satisfaction from search and other outcomes.

time interval over time. Cohort analyses are useful for long-term forecasting of product demand.

- **Causal research** seeks to find cause and affect relationships between variables. It accomplishes this goal through laboratory and field experiments.

Fig 2 A framework for consumer research

Step three: Choosing a Basic Method of Research

1. Analysis of secondary data.
2. Survey. Obtain factual (e.g., age) and attitudinal (e.g., musical preference) data.
3. Observation. Obtain behavioral data, researchers and subjects do not have direct interaction.
4. Experiment. The researchers deliberately change the independent variable(s) and record the effects of that (those) variable(s) on other dependent variable(s). Experiments are frequently used in testing causality.

1.3.1 Primary Data
Often, secondary data must be supplemented by primary data originated specifically for the study at hand. Some common types of primary data are:

- Demographic and socioeconomic characteristics
- Psychological and lifestyle characteristics
- Attitudes and opinions
- Awareness and knowledge - for example, brand awareness

- Intentions - for example, purchase intentions. While useful, intentions are not a reliable indication of actual future behavior.
- Motivation - a person's motives are more stable than his/her behavior, so motive is a better predictor of future behavior than is past behavior.
- Behavior

1.3.1 Secondary Data
Data that previously may have been collected for other purposes but that can be used in the immediate study. Secondary data may be internal to the firm, such as sales invoices and warranty cards, or may be external to the firm such as published data or commercially available data. The government census is a valuable source of secondary data.

Secondary data has the advantage of saving time and reducing data gathering costs. The disadvantages are that the data may not fit the problem perfectly and that the accuracy may be more difficult to verify for secondary data than for primary data.

Some secondary data is republished by organizations other than the original source. Because errors can occur and important explanations may be missing in republished data, one should obtain secondary data directly from its source. One also should consider who the source is and whether the results may be biased.

There are several criteria that one should use to evaluate secondary data.

- Whether the data is useful in the research study.
- How current the data is and whether it applies to time period of interest.
- Errors and accuracy - whether the data is dependable and can be verified.
- Presence of bias in the data. Specifications and methodologies used, including data collection method, response rate, quality and analysis of the data, sample size and sampling technique, and questionnaire design.
- Objective of the original data collection.
- Nature of the data, including definition of variables, units of measure, categories used, and relationships examined.

Primary data can be obtained by communication or by observation. *Communication* involves questioning respondents either verbally or in writing. This method is versatile, since one needs only to ask for the information; however, the response may not be accurate. Communication usually is quicker and cheaper than observation. *Observation* involves the recording of actions and is performed by either a person or some mechanical or electronic device. Observation is less versatile than communication since some attributes of a person may not be readily observable, such as attitudes, awareness, knowledge, intentions, and motivation. Observation also might take longer since observers may have to wait for appropriate events to occur, though observation using scanner data might be quicker and more cost effective. Observation typically is more accurate than communication.

Personal interviews have an interviewer bias that mail-in questionnaires do not have. For example, in a personal interview the respondent's perception of the interviewer may affect the responses.

Step four: Selecting the Sampling Procedure

1. Sample is a subset of the whole population.

2. Why sampling? May be…Population is too big, population unknown, insufficient resources to conduct a census.

3. Sample should be "representative" – should help the researchers to make inference about the population.

1.5. Sampling Plan

The sampling frame is the pool from which the interviewees are chosen. The telephone book often is used as a sampling frame, but have some shortcomings. Telephone books exclude those households that do not have telephones and those households with unlisted numbers. Since a certain percentage of the numbers listed in a phone book are out of service, there are many people who have just moved who are not sampled. Such sampling biases can be overcome by using random digit dialing. Mall intercepts represent another sampling frame, though there are many people who do not shop at malls and those who shop more often will be over-represented unless their answers are weighted in inverse proportion to their frequency of mall shopping.

In designing the research study, one should consider the potential errors. Two sources of errors *are random sampling error* and *non-sampling error*. Sampling errors are those due to the fact that there is a non-zero confidence interval of the results because of the sample size being less than the population being studied. Non-sampling errors are those caused by faulty coding, untruthful responses, respondent fatigue, etc.

There is a tradeoff between sample size and cost. The larger the samples size the smaller the sampling error, but the higher the cost. After a certain point the smaller sampling error cannot be justified by the additional cost.

While a larger sample size may reduce sampling error, it actually may increase the total error. There are two reasons for this effect. First, a larger sample size may reduce the ability to follow up on non-responses. Second, even if there are a sufficient number of interviewers for follow-ups, a larger number of interviewers may result in a less uniform interview process.

Two ways of thinking about sampling:

A. Sampling for policy makers, or "describers". A policymaker is interested in questions such as "How many people are unemployed?" Policy makers typically use cumulative statistics and confidence intervals.

B. Sampling for academics, or "modelers". An academic is interested in questions such as "Why are people unemployed?"

A Scientific Sample Survey or Poll will have these characteristics:

1. It samples members of the defined population in a way such that each member has a known nonzero probability of selection. Unless this criterion is adhered to, there exists no scientific basis for attempting to generalize results beyond those individuals who completed the survey.

2. It collects data from a sufficient number of sampled units in the population to allow conclusions to be drawn about the prevalence of the characteristic in the entire study population with desired precision (for example, + or – 5%) at a stated level of confidence (e.g. 95%).

Sampling distribution: the distribution of all possible sample statistics of all possible samples drawn from a population.

The number of different samples that can be drawn is large, but finite. The distribution of sample statistics assumed to be distributed normally, but eg, the mean of the sample distributions is not necessarily the population mean.

Every statistic in a sample might have a different sampling distribution.

Standard error: the distribution of sample statistics are based on probability theory. In a simple statement – certain proportions of sample statistics will fall within specified increments of the population parameter.

An Example of calculating a standard error

Example – suppose we want to estimate the standard error of support for all-day kindergarten across the country. Suppose 60 percent of the respondents say they support it and the sample size is 800. The standard error of the estimate is $\sqrt{(P*Q)/n}$ or in this case $\sqrt{(.6 * .4)/800} = .017$.

68% of sample estimates are likely to be between 58.3 and 61.7; 95 percent are likely to be between 56.5 and 63.5.

Do another example – same sample but question is support for requiring SUVs to meet the same emission standards as automobiles. In this case, the support is 50%. What is the sample error?

Sampling distribution and confidence levels

We know from probability theory that 34% will be within one standard error and 95 percent will be within 2 standard errors.

We can be x% confident that a given sample mean will be within y units of the sampling distribution mean. The most common value for x is 95% (at least as reported in newspapers, etc). This is not the same as saying one is x% confident that a given sample mean is within y units of the population mean, although it is often presented that way.

Sampling theory is based on simple random sampling but few general population surveys use simple random sampling.

Definitions

The principal reason for thinking carefully about standard errors, sampling, errors, etc and the social world is the big difference between sampling red and white balls and determining exactly who is being sampled in the real world.

Universe: theoretical and hypothetical aggregation of all elements to which a survey should apply. E.g., Indians

Population: a more specified theoretical aggregation. E.g., Adult Indians in spring 2002.

Survey Population: the aggregation of elements from which the survey sample is actually drawn. E.g., Adult Indians, in households, in 10 states, in March 2002.

Sampling Frame: Actual list of units from which the sample is drawn which might not be totally inclusive of the survey population.

Sampling Unit: Elements or set of elements considered for sampling. E.g., persons, geographical clusters, churches.

Unit of Analysis: Unit from which the information is collected. E.g., persons, households, network.

Types of Sampling and Area Probability Sampling

Probability Samples

Simple Random Samples
We rarely use them except for some listed samples, e.g., the lists of seniors and freshman provided by the schools for a survey. We were provided the lists, assigned the students random numbers, and then selected the sample based on the random numbers. This method can be used where sampling frames are clearly defined, e.g., a list of all students in a college. It is very difficult for household populations studies. In SRS, every sample has a greater than 0 probability of selection which implies every item in the sample can be selected.

Systematic Samples
Begins with a random start within a list. Then, based on the sampling fraction, a certain proportion is chosen. E.g., University has approximately 6000 students in total. We wanted to sample 500. The sampling fraction is 500/6000 or one of twelve. We could have used a random number between one and twelve to indicate the first student chosen and then choose every twelfth student. E.g., if the random number were 5, we would have chosen the 5th, 17th, 29th, etc through the list.

These samples are generally used with fairly large and well-organized lists. In many studies, there are some drawbacks to their practical application, e.g. if there are problems with the lists..

Stratified Samples
The target population is divided into strata (groups) based on characteristics that the researcher thinks are important. Many surveys of college students stratify by race, ethnicity, gender, on-off campus, etc. Stratification generally reduces sampling error because they can ensure that all relevant portions of the population are included in the sample. Strata can also be used to compensate for nonresponse of various forms.

Proportional Stratified Sampling
The number in each strata are chosen to ensure that each strata is represented proportionally. E.g., we would stratify the classes in some schools to ensure that a proportional numbers of students living off-campus are included.

Nonproportional
The number in each strata are chosen to ensure there are enough in each strata to make reasonable estimates. Eg, in our University student's survey, we increased the sampling rate of day scholars so that we could be sure there would be enough to analyze them as a group.

Probability Proportional to Size Sampling and Cluster Sampling
These procedures are often used in surveys that require more difficult sampling procedures. PPS attempts to ensure that every unit has a non-zero probability of inclusion into the study but at the same time recognizing that practical considerations preclude forms of random sampling that would actually allow everyone to be included. Cluster sampling is another technique that allows researchers to minimize field costs without sacrificing the non-zero probability of inclusion.

Nonprobability Sampling
There are many types (quota, convenience etc.) of nonprobability sampling procedures. They are generally used for smaller projects or when there is no effective method of probability sampling, e.g., surveys of persons with rare characteristics.

Area Probability Sampling
Area probability sampling is the method used by major survey organizations to select samples for field (in person household) interviews. It is essentially a form of stratified multi-stage cluster sampling. The development of this technique and the statistical techniques associated with it allowed good national sampling to be accomplished in this country. These samples can cost-effectively represent the entire country.

It's virtually impossible to do any form of simple random, stratified, or systematic sampling of large numbers of people spread over a wide geographical area, so area probability samples are much preferred.

Area probability sampling is designed to minimize field costs and provide a sample that is based on random sampling procedures. The development of statistical techniques to measure the impact on "statistics" based on all sampling decisions allows this form of sampling to work.

Some problems that we generally face with area sampling are:

- Area probability sampling models are designed for an optimal sample size and often a researcher will not have sufficient funds to use all of the sampling areas. It is more difficult to sample from only part of the areas and maintain representativeness.

- Sampling decisions are based on census data and the characteristics of the PSUs, and the strata can change over time. There might be new housing areas not included.

- Accuracy in listing the housing units is often very difficult to achieve, eg, in low-income areas, rural areas, and rapidly developing areas.

- Usually the focus of surveys is on households. For most surveys, institutionalized populations (e.g., persons in the military, jails, nursing homes, residence halls) are not included.

- Many survey organizations interview only in English.

- There is no complete list of housing units for in-person surveys, even the Census Bureau hires listers to count every housing unit.

Step Five: Data Collection

1. Under a natural or controlled environment? Especially important for experimental designs.

2. Survey: Mall intercept, telephone, mail, Internet…each method has different advantages and disadvantages. For example, response time, response rate, structure of questions, costs, etc.

Comparing Different Survey Methodologies

	Face-to-face	Telephone	Mail	Internet
Speed of data collection	Moderate fast	Fast	Slow	Fast
Cost	Highest	Moderate high	Low	Lowest
Possible questionnaire length	Moderate to short	Moderate	Can be long (depends on incentive)	Can be long (depends on incentive)
Flexibility in interviewing	High	Moderate high	No	No
Interviewer influence bias	High	Moderate	None	None
Sample randomness	Moderate to high	Highest	Low	Difficult to control
Low incidence rate	Depend on venue selection	Not fit	Fit	Not fit
Ability to expose respondent to various physical stimuli	Yes	No	Possible (photo)	Possible (animated images)
Response rate	High	Moderate high	Low	Moderate low

In addition to the intrinsic sampling error, the actual data collection process will introduce additional errors. These errors are called *non-sampling errors*. Some non-sampling errors may be intentional on the part of the interviewer, who may introduce a bias by leading the respondent to provide a certain response. The interviewer also may introduce unintentional errors, for example, due to not having a clear understanding of the interview process or due to fatigue.

Respondents also may introduce errors. A respondent may introduce intentional errors by lying or simply by not responding to a question. A respondent may introduce unintentional errors by not understanding the question, guessing, not paying close attention, and being fatigued or distracted.

Such non-sampling errors can be reduced through quality control techniques.

1.4. Data Collection Forms

1.4.1 Questionnaire Design

The questionnaire is an important tool for gathering primary data. Poorly constructed questions can result in large errors and invalidate the research data, so significant effort should be put into the questionnaire design. The questionnaire should be tested thoroughly prior to conducting the survey.

1.4.2 Steps to Developing a Questionnaire

The following are steps to developing a questionnaire - the exact order may vary somewhat. In addition I would also like to mention that we are doing all this things in much greater detail in the next lesson.

- Determine which information is being sought.
- Choose a question type (structure and amount of disguise) and method of administration (for example, written form, email or web form, telephone interview, verbal interview).
- Determine the general question content needed to obtain the desired information.
- Determine the form of response.
- Choose the exact question wording.
- Arrange the questions into an effective sequence Specify the physical characteristics of the questionnaire (paper type, number of questions per page, etc.)
- Test the questionnaire and revise it as needed.

1.4.3 Question Type and Administration Method

Some question types include fixed alternative, open ended, and projective:

- **Fixed-alternative** questions provide multiple-choice answers. These types of questions are good when the possible replies are few and clear-cut, such as age, car ownership, etc.
- **Open-ended** questions allow the respondent to better express his/her answer, but are more difficult to administer and analyze. Often, open-ended questions are administered in a depth interview. This technique is most appropriate for exploratory research.
- **Projective methods** use a vague question or stimulus and attempt to project a person's attitudes from the response. The questionnaire could use techniques such as word associations and fill-in-the-blank sentences. Projective methods are difficult to analyze and are better suited for exploratory research than for descriptive or causal research.

There are three commonly used rating scales: graphic, itemized, and comparative.

- Graphic - simply a line on which one marks an X anywhere between the extremes with an infinite number of places where the X can be placed.

- Itemized - similar to graphic except there are a limited number of categories that can be marked.
- Comparative - the respondent compares one attribute to others. Examples include the Q-sort technique and the constant sum method, which requires one to divide a fixed number of points among the alternatives.

1.4.4 Form of Question Response

Questions can be designed for open-ended, dichotomous, or multichotomous responses.

- **Open-ended** responses are difficult to evaluate, but are useful early in the research process for determining the possible range of responses.
- **Dichotomous** questions have two possible opposing responses, for example, "Yes" and "No".
- **Multichotomous** questions have a range of responses as in a multiple-choice test.

The questionnaire designer should consider that respondents might not be able to answer some questions accurately. Two types of error are telescoping error and recall loss.

- *Telescoping error* is an error resulting from the tendency of people to remember events as occurring more recently than they actually did.
- *Recall loss* occurs when people forget that an event even occurred. For recent events, telescoping error dominates; for events that happened in the distant past, recall loss dominates.

1.4.5 Measurement Scales

Attributes can be measured on nominal, ordinal, interval, and ratio scales:

- **Nominal** numbers are simply identifiers, with the only permissible mathematical use being for counting. Example: social security numbers.
- **Ordinal** scales are used for ranking. The interval between the numbers conveys no meaning. Median and mode calculations can be performed on ordinal numbers. Example: class ranking
- **Interval** scales maintain an equal interval between numbers. These scales can be used for ranking and for measuring the interval between two numbers. Since the zero point is arbitrary, ratios cannot be taken between numbers on an interval scale; however, mean, median, and mode are all valid. Example: temperature scale
- **Ratio** scales are referenced to an absolute zero value, so ratios between numbers on the scale are meaningful. In addition to mean, median, and mode, geometric averages also are valid. Example: weight

1.4.6 Validity and Reliability

The validity of a test is the extent to which differences in scores reflect differences in the measured characteristic. Predictive validity is a measure of the usefulness of a measuring instrument as a predictor. Proof of predictive validity is determined by the correlation between results and actual behavior. Con-

struct validity is the extent to which a measuring instrument measures what it intends to measure.

Reliability is the extent to which a measurement is repeatable with the same results. A measurement may be reliable and not valid. However, if a measurement is valid, then it also is reliable and if it is not reliable, then it cannot be valid. One way to show reliability is to show stability by repeating the test with the same results.

1.4.7 Attitude Measurement

Many of the questions in a marketing research survey are designed to measure attitudes. Attitudes are a person's general evaluation of something. Customer attitude is an important factor for the following reasons:

- Attitude helps to explain how ready one is to do something.
- Attitudes do not change much over time.
- Attitudes produce consistency in behavior.
- Attitudes can be related to preferences.

Attitudes can be measured using the following procedures:

- **Self-reporting** - subjects are asked directly about their attitudes. Self-reporting is the most common technique used to measure attitude.
- **Observation of behavior** - assuming that one's behavior is a result of one's attitudes, attitudes can be inferred by observing behavior. For example, one's attitude about an issue can be inferred by whether he/she signs a petition related to it.
- **Indirect techniques** - use unstructured stimuli such as word association tests.
- **Performance of objective tasks** - assumes that one's performance depends on attitude. For example, the subject can be asked to memorize the arguments of both sides of an issue. He/she is more likely to do a better job on the arguments that favor his/her stance.
- **Physiological reactions** - subject's response to stimuli is measured using electronic or mechanical means. While the intensity can be measured, it is difficult to know if the attitude is positive or negative.
- **Multiple measures** - a mixture of techniques can be used to validate the findings; especially worthwhile when self-reporting is used.

There are several types of attitude rating scales:

- **Equal-appearing interval scaling** - a set of statements are assembled. These statements are selected according to their position on an interval scale of favorableness. Statements are chosen that has a small degree of dispersion. Respondents then are asked to indicate with which statements they agree.
- **Likert method of summated ratings** - a statement is made and the respondents indicate their degree of agreement or disagreement on a five-point scale (Strongly Disagree, Disagree, Neither Agree Nor Disagree, Agree, Strongly Agree).

- **Semantic differential scale** - a scale is constructed using phrases describing attributes of the product to anchor each end. For example, the left end may state, "Hours are inconvenient" and the right end may state, "Hours are convenient". The respondent then marks one of the seven blanks between the statements to indicate his/her opinion about the attribute.

- **Stapel Scale** - similar to the semantic differential scale except that 1) points on the scale are identified by numbers, 2) only one statement is used and if the respondent disagrees a negative number should marked, and 3) there are 10 positions instead of seven. This scale does not require that bipolar adjectives be developed and it can be administered by telephone.

Dimension	Qualitative	Quantitative	Remarks
Types of questions	Probing	Limited probing	Respondents have more freedom to structure the answers.
Information per respondent	Large and in-depth	Depends	
Administration	Demand skilled administrators	Less skillful is acceptable	Quantitative researches usually have clearer guidelines.
Ability to replicate	Low	High	
Sample size	Usually small (<30)	Can be large	
Analysis	Subjective, inter-subjective, interpretive.	Statistical	Qualitative analysis will be more time-consuming
Type of research	More suitable for exploratory research	More suitable for descriptive or causal research	
Special hardware	Tape and/or video recorder, probing questions, pictures	Questionnaires, computer with statistical software	
Training of the researchers	More on social science	More on information processing	

- **Q-sort technique** - the respondent if forced to construct a normal distribution by placing a specified number of cards in one of 11 stacks according to how desirable he/she finds the characteristics written on the cards.

Qualitative Research vs. Quantitative Research

Qualitative Research is about investigating the features of a market through in-depth research that explores the background and context for decision-making.

In qualitative research there are 3 main methods of collecting primary data:

i.   Depth interviews

ii. Focus/discussion groups

iii. Projective techniques

Depth Interviewing

Depth interviews are the main form of qualitative research in most business markets. Here an interviewer spends time in a one-on-one interview finding out about the customer's particular circumstances and their individual opinions.

The majority of business depth interviews take place in person, which has the added benefit that the researcher visits the respondent's place of work and gains a sense of the culture of the business. However, for multi-national studies, telephone depth interviews, or even on-line depth interviews may be more appropriate.

Feedback is through a presentation that draws together findings across a number of depth interviews. In some circumstances, such as segmentation studies, identifying differences between respondents may be as important as the views that customers share.

The main alternative to depth interviews - *focus group discussions* - is typically too difficult or expensive to arrange with busy executives. However, on-line techniques increasing get over this problem.

Group Discussions

Focus groups are the mainstay of consumer research. Here several customers are brought together to take part in a discussion led by a researcher (or "moderator"). These groups are a good way of exploring a topic in some depth or to encourage creative ideas from participants.

Group discussions are rare in business markets, unless the customers are small businesses. In technology markets where the end user may be a consumer, or part of a team evaluating technology, group discussions can be an effective way of understanding what customers are looking for, particularly at more creative stages of research.

Projective Techniques

Used in Consumer research to understand consumer's knowledge in association with a particular product or brand. Used by clinical psychologists to understand a consumer's hidden 'attitudes', 'motivation' and 'feelings'. These techniques could be:

i. **Word association**: Respondents are presented with a series of words or phrases and asked to say the first word, which comes to your mind. This method is helpful to check whether the proposed product names have undesirable associations.

ii. **Sentence completion**: The beginning of a sentence is read out to the respondent and he/she is asked to complete it with the first word that comes to the mind. E.g., "people who don't prefer to eat from fast food joints are……………"

iii. **Third party techniques**: Respondents are asked to describe a third person about whom they have little information. Useful in determining 'attitudes' of the respondents.

iv. **Thematic appreciation test**: Respondents are shown an ambiguous picture or drawing or fill in a blank 'speech bubble' associated with a particular character in an ambitious situation and then asked to interpret the same. Helps in understanding the perception of the respondents towards the various aspects of the product.

v. **Repertory grid**: Respondents are presented with a grid and asked to title the columns with brand names or various types of a particular product (tastes of soft drinks). Then they are asked to select any three of these products and think of a phrase, which will describe the way, in which any two are different from the third. This description is used as the title of a row and each of the other products are rated accordingly. By repeatedly selecting and describing the items, the researcher will be able to find the way in which the respondent perceives the market.

Age	24	32	66	38	42	16	57	29	33	49
Pop Music	4	3	1	3	3	5	2	4	4	2

vi. **Role-playing**: respondents are asked to visualize that they are a product or a person and asked to enact or perform their role describing their feelings, thoughts and actions.

Step Six: Data Analysis

1. It's a process that interprets the observed data into meaningful information.

2. In this module, I will teach you how to use *t*-test, analysis of variance (ANOVA) and bivariate regression analysis to analyze the data.

1.7. Data Analysis

Before analysis can be performed, raw data must be transformed into the right format. First, it must be edited so that errors can be corrected or omitted. The data must then be coded; this procedure converts the edited raw data into numbers or symbols. A codebook is created to document how the data was coded. Finally, the data is tabulated to count the number of samples falling into various categories. *Simple tabulations* count the occurrences of each variable independently of the other variables. *Cross tabulations*, also known as contingency tables or cross tabs, treats two or more variables simultaneously. However, since the variables are in a two-dimensional table, cross tabbing more than two variables is difficult to visualize since more than two dimensions would be required. Cross tabulation can be performed for nominal and ordinal variables.

Cross tabulation is the most commonly utilized data analysis method in marketing research. Many studies take the analysis no further than cross tabulation. This technique divides the sample into sub-groups to show how the dependent variable varies from one subgroup to another. A third variable can be introduced to uncover a relationship that initially was not evident.

1.7.1 Conjoint Analysis

The Conjoint Analysis is a powerful technique for determining consumer preferences for product attributes. In a conjoint analysis, the respondent may be asked to arrange a list of combinations of product attributes in decreasing order of preference. Once this ranking is obtained, a computer is used to find the utilities of different values of each attribute that would result in the respondent's order of preference. This method is efficient in the sense that the survey does not need to be conducted using every possible combination of attributes. The utilities can be determined using a subset of possible attribute combinations. From these results one can predict the desirability of the combinations that were not tested

Steps in Developing a Conjoint Analysis

Developing a conjoint analysis involves the following steps:

1. Choose product attributes, for example, appearance, size, or price.

2. Choose the values or options for each attribute. For example, for the attribute of size, one may choose the levels of 5", 10", or 20". The higher the number of options used for each attribute, the more burden that is placed on the respondents.

3. Define products as a combination of attribute options. The set of combinations of attributes that will be used will be a subset of the possible universe of products.

4. Choose the form in which the combinations of attributes are to be presented to the respondents. Options include verbal presentation, paragraph description, and pictorial presentation.

5. Decide how responses will be aggregated. There are three choices - use individual responses, pool all responses into a single utility function, or define segments of respondents who have similar preferences.

6. Select the technique to be used to analyze the collected data. The part-worth model is one of the simpler models used to express the utilities of the various attributes. There al

1.7.2 Hypothesis Testing

A basic fact about testing hypotheses is that a hypothesis may be rejected but that the hypothesis never can be unconditionally accepted until all possible evidence is evaluated. In the case of sampled data, the information set cannot be complete. So if a test using such data does not reject a hypothesis, the conclusion is not necessarily that the hypothesis should be accepted.

The null hypothesis in an experiment is the hypothesis that the independent variable has no effect on the dependent variable. The null hypothesis is expressed as H0. This hypothesis is assumed to be true unless proven otherwise. The alternative to the null hypothesis is the hypothesis that the independent variable does have an effect on the dependent variable. This hypothesis is known as the alternative, research, or experimental hypothesis and is expressed as H1. This alternative hypothesis states that the relationship observed between the variables cannot be explained by chance alone.

There are two types of errors in evaluating hypotheses:

- **Type I error**: occurs when one rejects the null hypothesis and accepts the alternative, when in fact the null hypothesis is true.

- **Type II error**: occurs when one accepts the null hypothesis when in fact the null hypothesis is false.

Because their names are not very descriptive, these types of errors sometimes are confused. Some people jokingly define a Type III error to occur when one confuses Type I and Type II. To illustrate the difference, it is useful to consider a trial by jury in which the null hypothesis is that the defendant is innocent. If the jury convicts a truly innocent defendant, a Type I error has occurred. If, on the other hand, the jury declares a truly guilty defendant to be innocent, a Type II error has occurred.

Hypothesis testing involves the following steps:

- Formulate the null and alternative hypotheses.

- Choose the appropriate test.

- Choose a level of significance (alpha) - determine the rejection region.

- Gather the data and calculate the test statistic.

- Determine the probability of the observed value of the test statistic under the null hypothesis given the sampling distribution that applies to the chosen test.

- Compare the value of the test statistic to the rejection threshold.

- Based on the comparison, reject or do not reject the null hypothesis.

- Make the marketing research conclusion.

In order to analyze whether research results are statistically significant or simply by chance, a test of statistical significance can be run.

1.7.3 Tests of Statistical Significance

The chi-square ($\chi 2$) goodness-of-fit test is used to determine whether a set of proportions have specified numerical values. It often is used to analyze bivariate cross-tabulated data. Some examples of situations that are well suited for this test are:

- A manufacturer of packaged products test markets a new product and wants to know if sales of the new product will be in the same relative proportion of package sizes as sales of existing products.

- A company's sales revenue comes from Product A (50%), Product B (30%), and Product C (20%). The firm wants to know whether recent fluctuations in these proportions are random or whether they represent a real shift in sales.

The chi-square test is performed by defining k categories and observing the number of cases falling into each category. Knowing the expected number of cases falling in each category, one can define chi-squared as:

$$\chi^2 = \sum_i (O_i - E_i)^2 / E_i$$

where

O_i = the number of observed cases in category i,

E_i = the number of observed cases in category i,

k = the number of categories,

the summation runs from $i = 1$ to $i = k$.

Before calculating the chi-square value, one needs to determine the expected frequency for each cell. This is done by dividing the number of samples by the number of cells in the table.

To use the output of the chi-square function, one uses a chi-square table. To do so, one needs to know the number of degrees of freedom (df). For chi-square applied to cross-tabulated data, the number of degrees of freedom is equal to (Number of columns - 1) (Number of rows - 1)

This is equal to the number of categories minus one. The conventional critical level of 0.05 normally is used. If the calculated output value from the function is greater than the chi-square look-up table value, the null hypothesis is rejected.

ANOVA

Another test of significance is the Analysis of Variance (ANOVA) test. The primary purpose of ANOVA is to test for differences between multiple means. Whereas the t-test can be used to compare two means, ANOVA is needed to compare three or more means. If multiple t-tests were applied, the probability of a TYPE I error (rejecting a true null hypothesis) increases as the number of comparisons increases.

One-way ANOVA examines whether multiple means differ. The test is called an F-test. ANOVA calculates the ratio of the variation between groups to the variation within groups (the F ratio). While ANOVA was designed for comparing several

means, it also can be used to compare two means. Two-way ANOVA allows for a second independent variable and addresses interaction.

To run a one-way ANOVA, use the following steps:

1. Identify the independent and dependent variables.

2. Describe the variation by breaking it into three parts - the total variation, the portion that is within groups, and the portion that is between groups (or among groups for more than two groups). The total variation (SS_{total}) is the sum of the squares of the differences between each value and the grand mean of all the values in all the groups. The in-group variation (SS_{within}) is the sum of the squares of the differences in each element's value and the group mean. The variation between group means ($SS_{between}$) is the total variation minus the in-group variation ($SS_{total} - SS_{within}$).

3. Measure the difference between each group's mean and the grand mean.

4. Perform a significance test on the differences.

5. Interpret the results.

This F-test assumes that the group variances are approximately equal and that the observations are independent. It also assumes normally distributed data; however, since this is a test on means the Central Limit Theorem holds as long as the sample size is not too small.

ANOVA is efficient for analyzing data using relatively few observations and can be used with categorical variables. Note that regression can perform a similar analysis to that of ANOVA.

Discriminant Analysis

Analysis of the difference in means between groups provides information about individual variables, it is not useful for determine their individual impacts when the variables are used in combination. Since some variables will not be independent from one another, one needs a test that can consider them simultaneously in order to take into account their interrelationship. One such test is to construct a linear combination, essentially a weighted sum of the variables. To determine which variables discriminate between two or more naturally occurring groups, discriminant analysis is used. Discriminant analysis can determine which variables are the best predictors of group membership. It determines which groups differ with respect to the mean of a variable, and then uses that variable to predict new cases of group membership. Essentially, the discriminant function problem is a one-way ANOVA problem in that one can determine whether multiple groups are significantly different from one another with respect to the mean of a particular variable.

A discriminant analysis consists of the following steps:

1. Formulate the problem.

2. Determine the discriminant function coefficients that result in the highest ratio of between-group variation to within-group variation.

3. Test the significance of the discriminant function.

4. Interpret the results.

5. Determine the validity of the analysis.

Discriminant analysis analyzes the dependency relationship, whereas factor analysis and cluster analysis address the interdependency among variables.

Factor Analysis

Factor analysis is a very popular technique to analyze interdependence. Factor analysis studies the entire set of interrelationships without defining variables to be dependent or independent. Factor analysis combines variables to create a smaller set of factors. Mathematically, a factor is a linear combination of variables. A factor is not directly observable; it is inferred from the variables. The technique identifies underlying structure among the variables, reducing the number of variables to a more manageable set. Factor analysis groups variables according to their correlation.

The *factor loading* can be defined as the correlations between the factors and their underlying variables. A factor-loading matrix is a key output of the factor analysis. An example matrix is shown below.

	Factor 1	Factor 2	Factor 3
Variable 1			
Variable 2			
Variable 3			
Column's Sum of Squares:			

Each cell in the matrix represents correlation between the variable and the factor associated with that cell. The square of this correlation represents the proportion of the variation in the variable explained by the factor. The sum of the squares of the factor loadings in each column is called an eigenvalue. An eigenvalue represents the amount of variance in the original variables that is associated with that factor. The *communality* is the amount of the variable variance explained by common factors.

A rule of thumb for deciding on the number of factors is that each included factor must explain at least as much variance as does an average variable. In other words, only factors for which the eigenvalue is greater than one are used. Other criteria for determining the number of factors include the Screen plot criteria and the percentage of variance criteria.

To facilitate interpretation, the axis can be rotated. Rotation of the axis is equivalent to forming linear combinations of the factors. A commonly used rotation strategy is the *varimax* rotation. Varimax attempts to force the column entries to be either close to zero or one.

Cluster Analysis

Market segmentation usually is based not on one factor but on multiple factors. Initially, each variable represents its own cluster. The challenge is to find a way to combine variables so that relatively homogenous clusters can be formed. Such clusters should be internally homogenous and externally heterogeneous. Cluster analysis is one way to accomplish this goal. Rather than being a statistical test, it is more of a collection of algorithms for grouping objects, or in the case of marketing

research, grouping people. Cluster analysis is useful in the exploratory phase of research when there are no a-priori hypotheses.

Cluster analysis steps

1. Formulate the problem, collecting data and choosing the variables to analyze.

2. Choose a distance measure. The most common is the Euclidean distance. Other possibilities include the squared Euclidean distance, city-block (Manhattan) distance, Chebychev distance, power distance, and percent disagreement.

3. Choose a clustering procedure (linkage, nodal, or factor procedures).

4. Determine the number of clusters. They should be well separated and ideally they should be distinct enough to give them descriptive names such as professionals, buffs, etc.

5. Profile the clusters.

Assess the validity of the clustering.

Step Seven: Preparing and Writing the Report

1. Researcher should communicate their findings to the managers, if possible, oral presentation and written report should both be made.

2. Practical recommendations should be suggested to the managers. For example: If our shop will target on younger consumers, we should sell more pop music, and the interior design should be more fashionable to fit their lifestyles.

3. How you present the results may affect how the managers use your information.

The format of the marketing research report varies with the needs of the organization. You should make sure that the report contains the following sections:

- Authorization letter for the research
- Table of Contents
- List of illustrations
- Executive summary
- Research objectives
- Methodology
- Results
- Limitations
- Conclusions and recommendations

Appendices containing copies of the questionnaires, etc.

Step eight: Follow up

1. You have spent resources in conducting the research; you should make sure the managers would use your findings.

2. Well organized and presented, be practical, avoid managerial conflict, and remind the managers to read your report.

3. Sometimes, addition research should be conducted to supplement your research findings.

Consumer Research Process

1. Define the problem
2. Determine research design
3. Identify data types and sources
4. Design data collection forms and questionnaires
5. Determine sample plan and size
6. Collect the data
7. Analyze and interpret the data
8. Prepare the research report

Research Design

Exploratory Research: goal of formulating problems more precisely, clarifying concepts

Descriptive Research: seeks to describe users of a product, predict future demand of a product

Causal Research: cause and effect relationships between variables.

Attitude Measurement

- Self-reporting
- Observation of Behaviour
- Indirect Technique
- Performance of Objective tasks
- Physiological reactions
- Multiple measures

Attitude Rating scales

- Equal-Appearing Interval scale
- Likert Method of Summated Ratings
- Semantic Differential Scale
- Stapel Scale
- Q-Sort Technique

Case 1
Data Gathering for Marketing Research

After-sales-An Investment for Customer Satisfaction

Tala Automobiles, a Nashik-based heavy vehicle manufacturing company, designed, developed and produced a deluxe car called, 'Satisfaction'. This vehicle was meant for th czars of the Indian corporate world and other high income group customers. 'Satisfaction' was a bold venture for an Indian company. They had proposed to 'take-on' the imported, high priced cars. The market response was very positive because of the high esteem in which Tala Automobiles were held by the national transporters. A waiting list of 5 years was estimated at the end of first round of booking. These bookings had enriched the company coffers by Rs 50 crore.

Problems started as soon as the first 'Satisfaction' hit the road. There was a steady flow of complaints. The workshops, that were authorized to undertake after sales servicing on behalf of the company were unable to meet the customer's expectations of after-sales servicing. The buyers had expected a product, which in line with the reputation of Tala as an international player in its field. Very soon, angry customers started writing to Tala's CEO, Mr. Vasgaonkar. A meeting of the heads of the different departments of Tala Automobiles brought out the following points:

1. The R&D and manufacturing departments had introduced 'Satisfaction' without adequate user's trails.

2. The problem areas had been identified and their corrective measures worked out. These were beyond the capabilities of the authorized workshops. The problems were therefore persisting in spite of after-sales warranty repairs.

3. The production department was facing serious problems because workmen with skills required to repair the defects were only on the production lines. The customers/ authorized workshops were pressurizing Tala to make the services of these experts available for repairing the cars. They had to be taken off from the production line. This was affecting the production schedules.

4. The sales department had restricted the initial sales to a large extent to Maharashtra state.

5. The marketing and production departments emphasized that the company should set up its own workshops. These should initially be for defect rectification, but should progressively take over routine servicing work also. This would make the operation of these workshops commercially viable and take the load of the production staff.

You are a deputy general managers (marketing) with the company. You are a graduate in automobiles engineering and have acquired the reputation of being a troubleshooter in the company. You were directed to prepare a paper for presentation to the board of directors outlining a solution to the problem. The solution should cover customers in Nashik. After trying this solution at Nasik for sometime, the same could be extended to other cities, especially in Maharashtra.

List the information you would require for preparing the presentation. Discuss various methods/sources for obtaining the required information. Suggest the best method for data gathering.

Maximum time to solve this case study: 25 minutes.

Notes

LESSON 6:
CONDUCTING RESEARCH STUDY

Introduction

As we have already studied the details in the earlier lesson, we shall now in this lesson actually do the research study.

Objectives

- To learn about the measurement process and how to develop a good measurement.
- To learn about the various types of scales.
- To understand the importance of reliability and validity in the measurement process.
- To gain insight into the types of probability and nonprobability sampling methods.
- To understand the concepts of Nonsampling errors.

To start off let us understand what is a survey.

1. What is Survey?

Survey is a method of primary data collection in which information is gathered by communicating with a representative sample of people; the data gathered are usually facts (e.g., age), opinions (e.g., should MacDonald's open more restaurants) and attitudes (e.g., do you like football?).

(McDaniel, Carl, Roger Gates, 1999, p.g-9; Zikmund, William, 1994, p.210)

It is possible to obtain the "what", "who", "how", "where", "why", and "when" questions. However, most of the answers obtained are attitudinal, they are not always consistent with the respondents' behaviors.

Types of Surveys

Three major categories: Face-to-face, telephone, and mail. Internet is a newly emerged survey medium.

1. **Face-to-face:**
   a. Door-to-door interview: conducted in interviewee's home.
   b. Executive interviewing: interviewing business executives in their offices.
   c. Mall intercept: conducted in public area.

2. **Telephone:**
   a. Telephone interview.
   b. Central location Telephone interviewing: Make calls from a centrally located facility to reach and interview respondents.
   c. Computer assisted telephone interviewing (CATI): The interviewers directly input the answer into computer software.

   d. Direct computer interviewing: Telephone interview by using interactive voice response (IVR) technology.

3. **Mail:**
   a. Ad hoc mail survey: questionnaires sent to selected respondents with no prior contact.
   b. Mail panel can be set up for *longitudinal study*.
   c. The response rate is usually low.

How to improve? (1) Advanced notification; (2) formal and institutional cover letter; (3) provide incentives; (4) follow up by telephone calls; (5) re-send questionnaires; (6) remind the respondent has helped in previous studies (if applicable).

   d. Variation: E-mail survey (Advantages: faster than traditional mail survey and international reach. Disadvantage: Not all people have e-mail account).

4. **Variations**
   a. Self-administered survey. Interviewer is absent when the respondent is doing the questionnaire.
   b. Direct computer interview. Computers a put in a mall and visitors are invited to finish the questionnaire.

Internet Survey

Online questionnaire is posted in a homepage, visitor are invited to finish it.

Advantages

a. Low cost
b. Fast data collection time
c. International reach
d. Computerized analysis procedure
e. Hypertext makes screening questions easier to be operated.
f. Less disturbing. Respondents can finish a short questionnaire and then proceed to other sections.

Disadvantages

a. Only computer users are sampled (Usually younger, better educated, have above average income, male)
b. Participants cannot be screened. Nontargeted samples may also answer the questionnaire. (a possible solution is to use screening questions)
c. Security.
d. Doubled entries. (Possible solution would be if personal information is asked).
e. The representativeness of voluntary response sample.

1.1 Collecting Secondary Data

Secondary data is useful to researchers to identify problem/opportunity and to conceptualize research questions. Sometimes, secondary data are sufficient to accomplish the research objectives.

Secondary vs. Primary Data

1. **Secondary data**, previously gathered data, not for your particular research.
2. **Primary data**, new data gathered particularly to help you to solve the research problem at hand.

Let us now have a look at secondary data in details.

Secondary data can be obtained internally (within the company) and externally.

1. **Internal secondary data**: annual reports, newsletters, sales records, information that stored in the database, complaint letters…
2. **External secondary data**: Governmental publications, mass media, annual report of other companies, other companies' homepages…

Usages/Advantages of Secondary Data

1. Relatively easier to obtain, and with less cost (time and money).
2. Can help clarifying your research questions.
3. Can be background information.
4. Provide guideline to conduct exploratory researches.
5. Theory building, hypothesis setting
6. Can act as evidences to support (or reject) the data obtained by primary sources.
7. Sometimes, the research objectives can be achieved by using merely secondary data.

Disadvantages of Secondary Data

1. Information overload. A possible solution to this is to make a cut-off time.
2. Difficult to assess credibility.
3. Dated.
4. Lack of availability.
5. Lack of relevance: format unmatched.

Various Secondary Data Sources

Internal reports, newsletters, annual reports.

1. Develop background understandings of the research question.
2. Get the facts.

Newspaper and Magazine articles.

1. (1) Credibility varied. (2) Obtain factual rather than judgmental data. (3) Use as background. (4) Use as supporting materials but not major arguments.
2. Business Today, Business World, India Today, The Economists, TIME.

3. You can find most of them in Marketing Department.

TV and Radio Programs

1. Not popularly used as reference, but good for idea generation.
2. Avoid emotional comments.
3. If you really have to use them as major arguments in your research, you should provide a copy of the program to your lecturer.

Professional Journals

1. (1) Higher credibility (easier to assess). (2) May be too theoretical. (3) Not as up-to-date as newspaper and magazines.
2. Findings from good journals can be used as major references.
3. Examples may include Journal of Marketing, Journal of Consumer Research, Journal of International Business Studies, Journal of Management, Asia Pacific Business Review, Journal of Cross-Cultural Psychology etc.
4. Plenty of them are kept in the serial section in the library; you can only read or photocopy them in the library.

Using Internet to collect Secondary Data

World Wide Web (WWW)

1. Not a matured data source at this moment, many homepages even do not inform the information sources and when the information was collected. Difficult to assess credibility.
2. Change too frequently. Better keep a hard copy and incorporate in the research as appendix.
3. Corporate homepages or distinguished homepages
4. Use as supplementary reference rather than a major reference.
5. Search engine: Google, Yahoo.
6. URL (homepage address): http://www.yahoo.com or http://www.google.com

Newsgroups (the uncharted water)

1. Example: Star forum (http://www.starzine.com/starforum/list.html)
2. Plenty of product related groups (e.g., movie, comics, music, computer products, automobiles, books, fashion…).
3. A pool of unstructured opinions, an interactive environment.
4. A natural environment.

Assessing the Accuracy of Secondary Data

1. What is the purpose of that study?
2. What information was collected?
3. Who collected the data?
4. When were the data being collected?

5. Where were the data being collected?

6. Is the information consistent with other information? If no, why?

What is Qualitative Research?

Based on what we have studied in the earlier lesson we can say that qualitative research has the following characteristics:

1. The research findings are not subject to quantification or quantitative analysis.

2. Suitable to examine attitudes, feelings and motivations in depth. Non-behavioral elements of human activities.

3. Usually, but not always, cheaper.

4. Can improve the efficiency of quantitative research.

5. Almost every quantitative research has its qualitative aspects.

6. Usage: a. Problem formulation (model development); b. justification (collect empirical data to support or reject the model).

Limitations of Qualitative Research

But there are of course some disadvantages with qualitative data, which we must not forget:

1. Difficult to distinguish small differences. In quantitative research, we can find the rating consumers gave to a product is 6.5 marks on average. However, in qualitative, the researchers can only say the consumers held a positive or negative attitude toward a product.

2. Difficult to obtain generalized results. Samples are usually small.

3. Difficult to assess the objectivity of researchers' interpretations.

Some Qualitative Research Methodologies

A. In-depth Interview

1. Usually conducted on a one-to-one basis.

2. A highly interactive, in-depth investigation of research issues.

3. The interviewee can direct the flow of the interview, as long as he is not going too far away from your research questions.

4. Other interviewees would not affect personal opinions.

5. Individual opinions can be confidentially recorded.

6. If possible, the whole interview session should be recorded, and a summary (transcript) should be written as soon as possible.

B. Projective Techniques

Used in Consumer research to understand consumer's knowledge in association with a particular product or brand. Used by clinical psychologists to understand a consumer's hidden 'attitudes', 'motivation' and 'feelings'. These techniques could be:

i. **Word association**: Respondents are presented with a series of words or phrases and asked to say the first word, which comes to your mind. This method is helpful to check whether the proposed product names have undesirable associations.

ii. **Sentence completion**: The beginning of a sentence is read out to the respondent and he/she is asked to complete it with the first word that comes to the mind. E.g., "people who prefer to eat from fast food joints are……………"

iii. **Third party techniques**: Respondents are asked to describe a third person about whom they have little information. Useful in determining 'attitudes' of the respondents.

iv. **Thematic appreciation test**: Respondents are shown an ambiguous picture or drawing or fill in a blank 'speech bubble' associated with a particular character in an ambitious situation and then asked to interpret the same. Helps in understanding the perception of the respondents towards the various aspects of the product.

v. **Repertory grid**: Respondents are presented with a grid and asked to title the columns with brand names or various types of a particular product (tastes of soft drinks). Then they are asked to select any three of these products and think of a phrase, which will describe the way, in which any two are different from the third. This description is used as the title of a row and each of the other products is rated accordingly. By repeatedly selecting and describing the items, the researcher will be able to find the way in which the respondent perceives the market.

vi. **Role-playing**: respondents are asked to visualize that they are a product or a person and asked to enact or perform their role describing their feelings, thoughts and actions.

C. Focus Group

Focus groups are the mainstay of consumer research. Here several customers are brought together to take part in a discussion led by a researcher (or "moderator"). These groups are a good way of exploring a topic in some depth or to encourage creative ideas from participants.

Group discussions are rare in business markets, unless the customers are small businesses. In technology markets where the end user may be a consumer, or part of a team evaluating technology, group discussions can be an effective way of understanding what customers are looking for, particularly at more creative stages of research.

So we can say that in a focus group:

1. A small group of participants led by a moderator in an in-depth discussion on one particular topic or concept.

2. Know how participants feel about a topic/concept, and why.

3. Listen to their stories, especially the emotions they express.

4. Sometimes, a series of focus groups are needed.

5. It becomes more and more popular in consumer research.

Steps in conducting a focus group

1. *Preparation:* Select facility, recruit participant.
2. *Moderator selection*, prepare discussion guide (probing questions).
3. Conduct the group.
4. Report the results.

Step One: Preparation

1. Formal setting: large, undisturbed conference room with one-way mirror in one wall. Behind the mirror will be a viewing room for clients, observers and note-takers. An important question of operation interest is should you let the participant know?
2. Participant selection: representativeness is still a major concern.
3. Mall intercept invitation and random telephone screening are common methods used. Sometimes, incentives are given.
4. Researchers usually avoid repeat (for at least several months), "professional" respondents. Sometimes, respondents from the media are also avoided.
5. How big the group is optimal? Five to eight, according to my investigation and experience.
6. Duration: 30 min to not more than 2 hours.

Step Two: Moderator Selection and Guideline Preparation

1. A good moderator should: (1) Have good social skills. (2) Possess sufficient knowledge in business studies. (3) Possess "sufficient" information about the research topic.
2. Discussion guide: (1) Focus group rules (example in textbook) (2) Outline the topics to be covered. (3) Some guidance questions. You can allow a little bit off-track if the respondents give really insightful answers.
3. The judgment of moderator is very important.
4. Sometimes, using two moderators may be beneficial, but responsibilities should be clearly defined.

Step three: conduct the focus group

1. Introduce yourself (yourselves), explain the focus group rules and break the ice.
2. **Briefly** introduce your topic, but do not tell everything to your participants.
3. Various methods can be used. Q&A, experience sharing, metaphor probing etc.
4. Give every participants chance to speak.
5. Allow freewheeling, as long as not going too far away from your topic. Moderator should control.
6. Moderator can clarify what the participant has said, but do not insert judgmental comments. Do not make the participant feels you are challenging him/her.
7. The whole discussion should be tape-recorded. If possible, it should also be video recorded.

8. A debriefing is required.
9. Remember to thank your participants after the session.

Step Four: report the results

1. Instant analysis is beneficial, as long as the administrative party be aware of the possible biases.
2. A summary should be written ASAP.
3. Whether a transcript (totally descriptive) is needed? It depends…
4. Sometimes the clients will require an interpretive report.
5. The report should extract useful information to formulate research design or to answer the research question.

Advantages and Disadvantages of Focus Group

Advantages

1. Can be executed more quickly than other research approaches.
2. Participants are forced to think in a more realistic way.
3. Groups can jam new ideas out.
4. Observe behind the mirror is possible.

Disadvantages

1. Psychologically: the immediacy and apparent understandability of focus group findings can mislead instead of inform. Other literature is definitely required.
2. Small sample may not be representative enough. The findings require commonsense and literature to support.
3. Moderator's style affects how participants answer the questions.
4. **Group pressure**, some participants are forced to conform, **group polarization**. Moderator should "read" the facial expression of each participant.

3.   Measurement of Data

Now that we have collected the data for our use, we need to understand the measurement aspect for this data collected.

But, what is measurement?

Measurement is rules for assigning numbers or labels to things in such a way as to represent **quantities** of **attributes**.

3.1 Importance of Measurement

1. It suggests that, we are not measuring objects (e.g., men) themselves, but their properties (e.g., income, social class, education level, height, weight or whatever).
2. Theoretically, all physical objects and abstract concepts can be measured, though precision may differ.
3. Several dimensions can measure an object, but the summation of these dimensions does not equal to that object.
4. Example: Four dimensions can measure Culture, but the summation of *uncertainty avoidance, individualism/ collectivism, power distance* and *masculinity/*

femininity does not equal to culture. Culture contains more things that have not been measured by Hofstede (1981).

5. Researchers usually measure some "useful" (can answer a particular research question) dimensions of an object (or a concept).

3.2 The Measurement Process

1. Identify the **concept** of interest.
2. Use the concept to develop a **construct**.
3. The construct is used to create a **constitutive definition**.
4. The definition enables a researcher to develop an **operational definition**.
5. Operation definition enables a researcher to create a **measurement scale**.
6. The researcher then has to evaluate the **reliability** and **validity** of the scale.
7. The researcher can **utilize** the scale if the evaluation is satisfactory.
8. The researcher obtains **research findings**.

Step One: Identify the Concept of Interest

A concept is an abstract idea generalized from particular facts.

It is used daily

1. Examples: Dog, car, happiness, justice, **culture**
2. Example: Sam is an outgoing boy; he likes to meet new friends and participates in outdoor activities.

Step Two: Develop a Construct

1. Invented for theoretical purpose.
2. Examples in marketing and business studies: Globalization, socialization, consumer satisfaction, advertising effectiveness, brand loyalty, **culture** etc.

Step Three: Develop a Constitute Definition

1. Constitute definition = theoretical definition = conceptual definition.
2. Define the construct; distinguish it from other concepts and constructs.

Step Four: Develop an Operational Definition

1. Define which observable characteristics will be measured.
2. Define the process for assigning a value to the concept.
3. A bridge between a theoretical concept and real-world events of factors.
4. Different researchers may create different operationalizations for the same construct.
5. The problem of construct equivalence. Will other people interpret the construct in the same way as the researcher who designed it?

Step Five: Develop a Measurement Scale

Scale: a set of symbols or numbers so constructed that the symbols or numbers can be assigned by a rule to the individuals (or their behavior or attitudes) to whom the scale is applied. Unidimensional scaling vs. multidimensional scaling

The fundamentals: Data level

a. Nominal data

i. Numbers are simply assignment to objects or classes of objects solely for the purpose of identification.
ii. Typical usage: classification
iii. Example: Enter "1" if the respondent is male, "2" if the respondent is female.

b. Ordinal Data

i. Numbers are assigned to data on the basis of some order of the objects.
ii. Typical usage: Ranking and rating
iii. Example: Your examination grades ("A", "B", "C", "D", "E").

c. Interval data

i. Numbers legitimately allow the comparison of the size of the difference among and between members.
ii. Typical usage: measuring complex concepts or constructs.
iii. Example: Temperatures (Celsius and Fahrenheit).
iv. Many scales, such as Likert scale, are in fact ordinal scales. However, for analysis convenience we treat them as interval scales.

d. Ratio Data

i. Data that have a natural or absolute zero and that therefore allows the comparison of absolute magnitudes of the numbers.
ii. Typical usage: When precision measurements are available.
iii. Example: Age, income, population, GNP etc.

Some Commonly Used Scales:

a. **Graphic rating scales:** Present respondent with a graphic continuum typical anchored by two extremes.

b. **Itemized rating scales:** Itemized rating scales are very similar to graphic rating scales, except that respondents must select from a limited number of ordered categories rather that placing a check mark on a continuous scale.

c. **Rank-order scales:** Itemized and graphic scales are noncomparative because the respondent makes a judgment without reference to another object, concept, or person. Rank-order scales, on the other hand, are comparative because the respondent is asked to judge one item against another.

d. **Q-sorting scales:** Basically a sophisticated form of rank ordering. A set of objects – verbal statements, slogans, product features, potential customers services, and so forth – is given to an individual to sort into piles according to specific rating categories.

e. **Paired comparison scales:** respondent picks one of two objects from a set based upon some stated criteria.

f. **Constant sum scales:** Respondent is requested to divide a given number of points among two or more attributes based on perceived importance.

g. **Semantic differential scales:** The researcher selects dichotomous pairs of words or phrases that could be used to describe the concept. Respondents then rate the concept on a scale. The mean of these responses for each pair of adjectives is computed and plotted as a "profile" or image.

h. **Stapel scales:** Modified semantic differential. Can measure both the direction and intensity of attitudes simultaneously.

i. **Likert scales:** A series of statements that express either a favorable or an unfavorable attitude toward the concept under study.

j. **Purchase intent scales:** Measure the likelihood that a potential customer will purchase a product of service.

Some basic considerations when selecting a scale

a. *Survey administrative method*: simpler scales used in telephone interview; more complex texts and graphics can be sued in other administrative methods.

b. *Ease of development:* Ordinal scales can more quickly be created than semantic differentials.

c. Respondents usually prefer *nominal and ordinal scales*; they feel these questions are easier to answer.

d. Can the *decision be made by using nominal and ordinal data*? Or interval and ratio data must be obtained to solve the research problem.

e. It is common to *use several types of scales* in one research study.

Step six: evaluate the reliability and validity of the measurement

Random error vs. systematic error.

1. Reliability
The data obtained should be free from random error, should be consistent.

a. *Test-retest reliability*: Consistent results should be obtained when using the same instrument a second time under nearly the same conditions as possible.

b. *Equivalent form reliability*: Consistent results should be obtained when using two instruments as similar as possible to measure the same object.

c. *Internal consistency*: Consistent results should be recorded when applied the same instrument on different samples.

2. Validity
Whether what the instrument tried to measure was actually measured.

a. *Face validity*: Researchers subjectively judge the degree to which a measurement instrument seems to measure what it is supposed to.

b. *Content validity:* The degree to which the instrument items represent the universe of the concept under study. Quite subjective. Extensive data collection process is required to identify all the facets of a construct. In many times, a construct is too abstract or complicated to be fully decomposed.

c. *Criterion-related validity*: The degree to which a measurement instrument can predict a variable that is designated a criterion.

   i. **Predictive validity**: The extent to which a future level of a criterion variable can be predicted by a current measurement on a scale. Question: Is School-level examination performance a valid predictor of a student's performance in the university?

   ii. **Concurrent validity**: The extent to which a criterion variable measured at the same point in time as the variable of interest can be predicted by the measurement instrument.

d. *Construct validity*: The degree to which a measurement instrument represents and logically connects, via the underlying theory, the observed phenomenon to the construct.

   i. **Convergent validity**: High degree of association should be located among other scales that measure the same concept.

   ii. **Discriminant validity**: Low degree of association should be found among constructs that are supposed to be different.

Attitude Measurement

Let us first try to define attitude.

An attitude is an enduring organization of motivation, emotion, perceptual, and cognitive process with respect to aspect of the environment.

In short: A favorable or unfavorable evaluation of and reaction to an object, person, event, or idea (Atkinson, Rita L., Richard C. Atkinson, Edward E. Smith, and Daryl J. Bem [1993], *Introduction to Psychology*, 11th ed. Forth Worth: Harcourt Brace College Publishers.)

It is important to remind you here that attitude will be dealt in greater details in later chapters. Here we are just concentrating on the measurement aspect of it. Thus below I am mentioning certain important aspects of attitude, which is quite essential in measuring attitude.

1. The Tricomponent view of attitude:

   a. *Cognitive component*: The knowledge, ideas and beliefs held toward attitude object.

   b. *Affective component*: The feeling and emotion held toward attitude object.

   c. *Conative (or behavioral) component*: The behavioral tendency and reaction toward the attitude object.

2. The more favorable the attitude of consumers, the higher is the incidence of product usage and vice versa.

3. The more unfavorable people's attitudes are toward a product, the more likely they are to stop using it.

4. The attitudes of people who have never tried a product tend to be distributed around the mean in the shape of a normal distribution.

5. Attitudes predict behavior quite well if the attitudes are based on actual trying and experiencing a product. When attitudes are based on advertising, attitude behavior consistency is significant reduced.

6. The prediction of future behavior for a group of consumers tends to be higher than the prediction of behavior for a single consumer.

7. Respondents' attitudes can be identified by direct questioning, indirect questioning (projective techniques) and observation.

8. Attitude-behavior consistency is affected by:

   a. Attitude behavior consistency is more stable in **specific attitude** rather than in **general attitude**.

   b. Attitude **strength**.

   c. Attitudes are likely to predict purchase behavior only under conditions of **high involvement**.

   d. **Social influence** affects the stability of attitude behavior consistency.

   e. **Situational variables** may, on the one hand, affect the reliability of measured attitudes; they may, on the other hand, modify a consumer's attitude toward a product at a specific moment.

   f. **Competitors**.

Questionnaire Design

Can we define a questionnaire?

A. Questionnaire contains a set of questions that assist the researcher to **collect** data and **generate** useful findings in order to accomplish the research objectives.

A good questionnaire should

1. Collect data to answer the research questions.

2. Can be easily understood by the respondent.

3. Easy to be administered by the interviewer or respondent.

4. Easy to edit, code, entry and analyzed.

Let us now take a look at the questionnaire development process. Below we have identified the steps involved in the questionnaire development process.

Questionnaire development process

1. Determine survey objectives

2. Determine data collection method(s).

3. Determine question response format

4. Decide question wording

5. Establish questionnaire flow and layout

6. Evaluate the questionnaire and layout

7. Obtain approval from all relevant parties

8. Revise, pretest and revise

9. Prepare final copy

10. Implementation

11. Editing

Step one: determine survey objectives

The survey objectives should be precisely stated, the information needed should be clearly understood by the researcher.

If this step is completed in a thorough fashion, the rest of the process will follow more smoothly and efficiently.

Step two: determine data collection method(s)

This may include the question of choosing Mall intercept, telephone, mailing or Online?

Step three: determine the question response format

1. Open-ended questions

   a. Major advantage here is that respondents have more freedom in giving answers and thus more information can be obtained.

   b. Major disadvantage is that it is difficult to analyze.

2. Closed-ended questions

   a. Dichotomous questions (well, in many times, the world is not just black and white)

   b. Multiple-choice questions

   c. Scaled-response questions

3. *The rule of thumb*: Obtain the necessary data to generate findings.

Step four: decide the question wording

Four criteria:

   a. Clear.

   b. Avoid bias.

   c. The respondent has the ability to answer. Example: Asking a teenager's father, "do you know your son's favorite pop singers?"

   d. The respondent is willing to answer. Example: "Have you ever shoplifted?"

- **Some common mistakes:**

a. *Jargons* or difficult words. Example: "Do you like **playing pranks** on others?"

b. *Ambiguous words and questions*. Example: "How often do you record programs for later viewing with your VCR? (1) Never, (2) Occasionally, (3) Sometimes, (4) Often." "Are you a **frequent** purchaser of VCD?"

c. *Leading questions*. Example: "Do you think that 'Shoppers Stop' is a **good** place for shopping?"

d. *Implicit alternatives*. Example: "Would you like to have a job, **if this were possible**?" "Would you prefer to have a job, or to continue your study?"

e. *Generalizations and estimates*. Example: "How many e-mails did you send last week? (Answer: How can I remember?)"

f. *Double-barreled questions*. Example: "What is your evaluation of the **price** and **convenience** offered by 'IFB dishwashers'?"

g. *Not mutually exclusive*. Example: "Please indicate your age: (1) 10 or below; (2) 10 – 20, (3) 20 – 30, (4) 30 – 40, (5) 40 or above."

h. *Not collectively exhausted*. Example: "Please indicate your education level: (1) Secondary school, (2) University or equivalent, (3) Master or doctoral degree."

Step five: establish questionnaire flow and layout

1. Rule of thumb: From easy to difficult.

2. Screening questions: May sure that only the target respondents will answer the questionnaire. Avoid "professional" respondents.

3. Warm-up questions: Make the respondents feel the survey is simple.

4. Body I: Some general questions related to your research objectives.

5. Body II: More difficult questions, more complicated scaled-response questions can be seen. The respondents should have developed sufficient interest before answering these questions.

6. Body III: Sensitive questions. The respondents have answered more than half of the questionnaire; some of them will hesitate to quit. If the interviewers sense the unwillingness of the respondents, he/she can insert "prompters" to encourage the respondents.

7. Classification and demographic data. One of the major purposes of obtaining these data is to check the representativeness of the sample.

Step six: evaluate the questionnaire

Always ask yourselves these questions when evaluating your questionnaire; I arrange them according my perceived importance:

a. Will the questions provide the desired information to accomplish the research objectives?

b. Provided sufficient space for open-ended questions?

c. Can it be color-coded to avoid confusion?

d. Is the questionnaire too long?

e. Does the appearance of mail or self-administered questionnaire look professional?

f. Does the questionnaire have a cluttered look?

g. Is the question necessary?

h. For face-to-face interview: Instructions printed within the questionnaire should be in capital letters (or even colored).

Step seven: obtain approval of all relevant parties

1. *Request too early:* The authority may not know the exact content and outlook of your questionnaire to make a fair decision.

2. *Request too late:* If the authorities reject your ideas, all the efforts are wasted.

Step eight: revise, pretest and revise

1. You should make sure that the questionnaire gives the respondent clear, understandable questions that will evoke clear, understandable response.

2. The sample for pretest should be drawn from your research sample. They should not be surveyed in the actual administration, because the pretest may have biased their perceptions toward the research problems.

3. Make necessary change after the pretest, approval should be re-obtained from the authority.

Step nine: prepare final questionnaire copy

The researcher should make sure no mistake has been made in the final copy.

Step ten: implementing the survey

1. Necessary visual aids. Graphs, charts, or transparency presentations etc.

2. Supervisor's instructions. Should clearly state the:
   a. Nature of the study
   b. Start and completion dates
   c. Quotas
   d. Reporting times
   e. Equipment and facility requirements
   f. Sampling instructions
   g. Number of interviewers required
   h. Validation procedures.

3. Interviewer's instructions. It covers many of the same points as supervisor's instructions but is feared to the actual interview.

4. Call record sheets.
   a. For telephone survey, it lists all the numbers and results of a contact.
   b. It can measure the efficiency of the interviewers.
   c. Can follow-up when necessary.
   d. Some researchers sound recorded all interview sessions.

Step eleven: editing

1. Make sure the answered questionnaires have covered a "representative" sample.

2. Check the open-ended questions, precode if possible (in fact, it is necessary).

3. Assess the skip pattern of the questionnaires.

4. Collecting primary data: observation

Three conditions for using observation

1. The information must be observable.

2. The behavior must be repetitive, frequent or predictable.

3. The behavior being observed should be relatively short in duration.

The five approaches of observation research

1. Natural vs. controlled (contrived) situations.

   a. In natural situations, observers do not manipulate the observational settings. Participants do not know they are being observed; their behavior will be more natural.

   b. In controlled situations, extraneous variables can be better controlled. Similar to experimental designs.

2. Open vs. disguised observation.

   a. Participants know they are being observed in open observation, usually used in ethnographic observation.

   b. In disguised observation, participants do not know they are being observed.

3. **Structured vs. unstructured observation**

   a. The observers may have a checklist to record the behavior observed.

   b. In unstructured observation, observer writes notes about the behavior observed. Probably be used in exploratory research.

4. **Human vs. machine observation**

   a. Machine observation suitable for long-term observation settings, or under adverse conditions.

   b. Video recorder, electronic counter and electronic scanner are popular machine observation devices.

   c. Machines are more accurate, but less flexible.

5. **Direct vs. indirect observation**

   a. Indirect observation: Suitable for observing past behavior, researchers search for evidences to support their hypotheses.

   b. Indirect observation: Can be viewed as an anthropological approach.

Types of Human Observation

1. *Mystery shoppers*: People (or the researchers themselves) employed to pose as consumers and shop at the competitors' shops or their own stores.

   a. Disguised observations in natural settings.

   b. The observers sometimes interact with the salespeople.

   c. Observe the ways the competitors operate their stores (spy?).

   d. Observe the ways our own salespeople serve the customers.

   e. It can be a good way to improve service quality.

2. *One-way mirror observation*: A controlled setting, observers are unseen.

   a. Usually in controlled, disguised settings.

   b. Commonly used in focus group discussions.

3. *Observing shopper patterns and behavior.*

   a. Shopper patterns: records of footsteps of a shopper through a store. Can answer: Which departments have they visited? How long have they stayed in the store?

   b. Shopper behavior research. Observing and/or filming the behavior of consumers in variety of shopping settings.

   c. Is it ethical to do so?

4. **Content analysis**

   a. Used to analyze printed materials into meaningful units using carefully applied rules.

   b. Indirect observation.

   c. Assumption: Any manifest message is purposive and expressive of deeper values and beliefs (Marshall, Catherine, and Grethchen B. Rossman [1989], *Designing Qualitative Research*. Newbury Park: SAGE, p.79)

   d. Very popular in advertising research. Example: Tse, David K., Russell W. Belk, and Nan Zhou (1989), "Becoming a Consumer Society: A Longitudinal and Cross-Cultural Content Analysis of Print Ads from Hong Kong, the People's Republic of China, and Taiwan," *Journal of Consumer Research*, 15 (March), 457-472.

5. **Humanistic inquiry:**

   a. Participative observation. Ethnographic observation.

   b. Can be open or disguised. Win the trust from the "villagers" is essential.

   c. Usually unstructured.

   d. The observers usually keep large logbooks to record their observations, findings and feelings.

   e. Frequently used by anthropologists, usually require more than one researcher to **triangulate** the results in order to obtain an acceptable level of **inter-subjectivity**.

6. **Audits**

   a. Retail and wholesale audits. Examination and verification of the sale of a product.

   b. Become less popular after electronic scanner emerges.

Advantages and disadvantages of observation research

Advantages

1. More reliable than attitude measurement.

2. Avoid interviewer-induced bias.

Disadvantages

1. Only the behavior can be observed, but not motives, attitudes, intentions or feelings.

2. Passive, time consuming and expensive; especially if the observed behavior occurs rather infrequently.

5. Developing a sampling plan

   1. Define the population of interest

   2. Choose data collection method

   3. Choose sampling frame

   4. Select a sampling method

   5. Determine sample size

   6. Develop specify operational plan for selecting sample elements

7. Execute operational sampling plan

Step One: Define the Population

It is usually your target market

Some possible bases:

a. Geography. Example: Punjabi people

b. Demographics. Example: Age, education level, sex, income level etc.

c. Use. Example: moviegoers, frequent flyers, smokers etc.

d. Awareness. Example: Those who aware of the company name or its advertisements etc.

3. Non-samples should be screened by screening questions (e.g., are you a smoker?).

Step two: choose data collection method

Data collection method affects the selection of sampling frame, sampling method, sample size and execution.

Step three choosing a sampling frame

1. List of population elements from which we select units to be sampled.

2. For example, telephone directory or search engine (e.g., yahoo) in the Internet.

3. They may not contain all the members in your population, but it assists you to operationalize your sampling plan.

4. Sometimes, this list does not exist for your study.

Step four: select a sampling method

1. Probability samples

   a. Samples in which every element of the population has a known, nonzero probability of selection.

   b. Probability is known ^{1} probability is equal

   c. Advantages: i. Representativeness. ii. Sampling error can be computed. iii. Results are projectable to the population.

   d. Disadvantages: i. More time consuming to develop sampling plan. ii. More expansive. iii. More professional skills are required. iv. Slower execution.

2. Nonprobability samples

   a. Include the selection of specific elements from the population in a nonrandom manner.

Types of sampling plans

a. Probability samples

i. Simple random sampling: Each population elements has a known and equal chance of being included in the sample.

ii. Systematic sampling: The entire population should be numbered; samples are drawn according to a skip interval.

iii. Stratified sampling: (1) The parent population is divided into mutually exclusive and exhaustive subsets (usually according to some **important** variables), and (2) a simple random sample of elements is chosen independently from each group of subset.

iv. Cluster sampling: (1) The parent population is divided into mutually exclusive and exhaustive subsets (usually according to some **unimportant** variables), and (2) a

random sample of subsets is elected. If the researcher then uses all of the population elements in the population elements in the selected subsets for the sample, the procedure is one-stage cluster sampling; if a sample of elements is selected probabilistically from the subsets, the procedure is two-stage cluster sampling.

b. Nonprobability samples

i. **Convenience sampling:** Sometimes called **accidental sampling** because those included in the sample enter by accident, in that they just happen to be where the study is being conducted when it is being conducted. One of the variations is *voluntary response* sampling.

ii. **Judgment sampling**: Sometimes called **purposive sampling**, sample elements are handpicked because they are expected to serve the research purpose. For example, if your study is about extremely heavy product usage behavior, the sample may be selected by your judgment, but not by chance.

iii. **Quota sampling**: Sample chosen in such a way that the proportion of sample elements possessing a certain characteristic is approximately the same as the proportion of the elements with the characteristic in the population; each field worker is assigned a quota that specifies the characteristics of the people he or she is to contact.

iv. **Snowball sampling**: Researcher locates an initial set of respondents with the desired characteristics; these individuals are then used as informants to identify still others with the desired characteristics.

Step five: determine sample size

Now here we have to determine the correct sample size. So how to determine the right sample size? Before determining the sample size we should keep these points in mind:

1. The purpose of conducting a survey base on a sample is to make **inferences about the population**, but not to describe the sample. The size of a sample should be "big" enough to make "reliable" inferences about the sample with smallest resource input.

2. In **probability sampling**, the larger the sample, the smaller the sampling error.

3. The researcher should determine his acceptable level of sampling error in order to determine the appropriate sample size. The researcher should determine the acceptable **confidence level** and **precision**.

4. The more **heterogeneous** the population is, the larger the sample size is required in order to obtain the accepted sampling error level.

5. Population size does not affect sample size determination (when sample size $<= 5\%$ population).

6. Resource available: Time, money, staff available etc.

7. Number of subgroups to be analyzed.

8. Convention, past experience and "gut feeling".

9. Statistical calculations.

Making inferences about the population

In reality, it is not quite possible to take many samples and calculate the μ_x. We usually take and make inferences from ONE sample.

The question is: What is the probability that one random sample will produce an estimated population mean that is equal (or close) to the true population mean?

- Point estimates: Use sample mean to estimate the true population mean. However, according to normal distribution, a small percentage of these sample means are far away from the true population mean.

- Interval estimates: Inferences regarding the probability (confidence coefficient or **confidence level**) that a population value will fall within a certain range.

a. 68.26% probability that any one sample from a particular population will produce an estimate of the population mean that is within ±1 standard error of the true population mean. Confidence interval

$$= \bar{X} \pm 1\sigma_{\bar{x}} (\pm 1\sigma_{\bar{x}} \text{ is the sampling error}).$$

b. 95.44% probability that any one sample from a particular population will produce an estimate of the population mean that is within ±2 standard error of the true population mean. Confidence interval

$$= \bar{X} \pm 2\sigma_{\bar{x}} (\pm 2\sigma_{\bar{x}} \text{ is the sampling error}).$$

c. 99.74% probability that any one sample from a particular population will produce an estimate of the population mean that is within ±3 standard error of the true population mean. Confidence interval

$$= \bar{X} \pm 3\sigma_{\bar{x}} (\pm 3\sigma_{\bar{x}} \text{ is the sampling error}).$$

d. The higher the confidence level, the wider the confidence interval (the lower the precision).

Calculating the sample size

The researcher has to determine:

a. The desired confidence level

b. The desired precision (acceptable sampling error)

1. The formula: $n = (Z^2\sigma^2)/E^2$

   a. n = sample size

   b. Z = Acceptable confidence level, determined by researcher. Common levels include: 95% ($Z = 1.96$), 99% ($Z = 2.575$) and 90% ($Z = 1.645$).

   c. σ = Population standard deviation.

   d. E = acceptable or allowable level of sampling error, determined by researcher.

2. σ is the problem. In typical cases we do not know the population standard deviation, thus s can only be estimated.

   a. Possible estimations: prior survey, pilot study, secondary data, and judgment.

b. "For a normally distributed variable, the range of the variable is approximately equal to plus or minus three standard deviations. Thus if one can estimate the range of variation, one can estimate the standard deviation by dividing by six" (Churchill, 1995, p.633).

c. The consequence of wrong estimation: The confidence interval becomes more or less precise than desired.

Step six: Developing operational procedures for selecting sample elements

1. Reevaluate and select the sampling method.

2. Develop a detail operational sampling plan. It should clearly instruct how the interviewers pick the samples.

Step seven: Execute the sampling plan

We have to do adequate checking to ensure the proper sample is surveyed.

Nonsampling and sampling errors

1. *Sampling error:* The difference between the observed values of a variable and the long-run average of the observed values in repetitions of the measurement. Can be reduced by sample size, can be calculated by statistical methods.

2. *Nonsampling errors:* Occur because of errors in conception, logic, misinterpretation of replies, statistics, and arithmetic; errors in tabulating or coding; or errors in reporting the results.

a. **Nonobservation errors**

   i. Noncoverage errors. Failure to include some units or entire sections of the defined survey population in the sampling frame. Possible countermeasures include (1) improving basic sampling frame by using other sources. (2) Weighting the results by statistical procedures.

   ii. Not-at-home cases (nonresponse error). Designated respondent is not home when the interviewer calls. Possible countermeasures include (1) making advance appointments. (2) Calling back later, preferably at a different time of day. (3) Contacting the designated respondent by using another approach.

   iii. Refusal cases (nonresponse error). Respondent refuses to cooperate in the survey. Possible countermeasures include (1) Persuasion. (2) Providing incentive. (3) Using follow-up contact at more convenient time (4) weight the results by statistical procedures.

b. **Observation errors**

   i. Data collection errors (or called field errors). Respondent refuses to answer specific questions or provides incorrect answers to them. Possible countermeasures include (1) matching the background characteristics of the interviewer and respondent as closely as possible. (2) Providing sufficient interviewer training. (3) Verifying a sample of each interviewer's interviews.

   ii. Office process errors. Errors that arise when coding, tabulating, or analyzing the data. Possible

countermeasures include (1) Using a second edit in the office to decide how data collection instruments containing incomplete answers, obviously wrong answers, and answers that reflect a lack of interest are to be handled. (2) Having each coder code a sample of the other's work to ensure a consistent set of coding criteria is being employed. (3) Preparing a codebook that lists the codes for each variable and the categories included in each code.

6. Telephone sampling procedures

Coverage

How does a telephone survey represent a target population? For practical reasons, a telephone number sample can represent a population better than area probability samples. Telephone samples make almost every household in the US accessible to survey researchers. For practical reasons, only limited areas can be available in area probability samples.

The principal difference between APS procedures and telephone sampling procedures is that very good sampling frames are available for telephone surveys.

Variations in Sampling Techniques

There are many possible sampling methods that might be used depending on the organization and the intended outcomes. Researchers often design variations of the basic procedures to meet local or survey needs. While sampling is considered "scientific" as its basis, in many cases, it becomes more "engineering" in what is actually carried out. That is, sampling recognizes limitation based on lists, personnel, equipment, etc. For the most part, telephone sampling is fairly robust in practice. That is, violating the pure sampling requirements can be done without substantially damaging a survey.

Telephone book samples

There are many, many variations on these methods. Telephone books are not as clear about their content as might be expected, especially in regards to geography. There is overlap among books and many telephone numbers are not listed. The books go out of date quickly and do not contain people who moved to the area. The rapid increase in new area codes and exchanges causes additional problems. However, there are some situations where the telephone book might be valuable. Eg, a sample of IU student telephone numbers could be generated from the IU telephone book without too much error.

Explanation of how telephone numbers are assigned

There are approximate 40,000 area code/exchanges with household telephone numbers in the US. This number is growing rapidly with the addition of new area codes and exchanges. Many households have multiple lines both for voice and for telecommunications. Cell phones and other devices often have their own exchanges.

Growth of area codes

The traditional numbering system of area codes and exchanges has changed over the past few years because of the need for more exchanges. (Here, a short explanation of the growth in the use of ten digit telephone numbers.)

Many exchanges have low density - in many parts of the country, especially rural areas, exchanges are lightly filled.

Exchange numbering

There are 10,000 possible numbers per exchange. The numbers tend to be assigned in working blocks of 100. This is not necessary any longer but these procedures continue in most offices. Among all possible telephone numbers based on area codes and exchanges approximately 20 percent are household telephone numbers. However, some can be very full (many urban exchanges) and many can be almost empty (new exchanges).

Working blocks are usually assigned with some contiguity. That is, if 2500 - 2599 is working then it's likely that 2400- 2499 and 2600 - 2699 are working.

NC example (book)

The book demonstrates a technique of listing, counting, and measuring that can be used if is certain that the target population is covered by the telephone book. Their technique substituted last two digits with random numbers. Sudman suggests replacing three digits to ensure the sample has more coverage.

To prevent the same telephone number from coming into the sample multiple times, the program has an "undupe" procedure.

Comparison of procedures

- Coverage - MW might be a little better but there is no evidence that it would have an impact on the final results.

- Ease - genesys and other list-assisted samples are the most efficient and easy to use.

- National sampling procedures - MW requires a process similar to area probability sampling, list-assisted can be generated without doing multiple stages.

- Sample stratification - list-assisted sampling procedures often contain information on smaller areas, e.g., the composition of the exchange, that can be used to stratify the sample.

7. Within household Sampling

Often, household members are listed at the beginning of the interview. This process has some error in it. For example, the informant not being certain who should be listed. Eligibility differs across surveys. Those with URE, temporarily absent in the hospital, etc , college students, etc are sometimes missed when they should be included.

Within households, most surveys randomly choose a respondent.

- Kish - rosters the household, uses a grid; it's very complex and considered intrusive. In some cases, the household is rostered as part of the interview, so the impact is minimized.

- Trohdal-Carter-Bryant - similar to Kish but has a different selection routine that's a little simpler (no rostering) and adjusts for demographic characteristics of a population.

- Hagen-Collier - selection order grid; easy to administer but certain persons can't be included.
- Last birthday and variations - easy to administer but there are significant errors in selection.
- Random number to base selection – what the CSR uses.

(An abbreviated comparison of respondent selection procedures)

Developing Issues

- Growth of telephone lines into households; some voice but not all.
- Growth of cell phones and other non-household based telephones. Many telephone companies are aiming towards personal phones and telephone numbers for all.
- Local competition and even more multiple numbers.

Mail Survey Sampling Procedures

There are no good sampling frames for random samples of general populations that can be used for mail surveys. There are some approximations – telephone book white pages, community directories, etc – but none has a complete list and the geography is often difficult to determine. It is possible to use area probability sampling to leave questionnaires and ask them to be mailed back. Sometimes RDD can be used to select a sample that is later sent a questionnaire.

Most mail surveys are of listed groups, e.g., NSSE, a survey of police chiefs.

Sampling for web surveys, fax surveys, email surveys

Each of these surveys modes has problems similar to mail surveys – a good sampling frame does not exist for population surveys but specific groups can be sampled reasonably well. For these types of surveys, the administration mode is more complex, so there are additional problems not found in using the typical survey modes.

Mixed sampling procedures

Just as there can be mixed and multiple mail mode surveys, mixed sampling can be used to generate population coverage. In most cases, it takes both creativity and making some assumptions about coverage and effectiveness. It's difficult to compute the design effects from mixed sampling procedures

How area probability sampling is done:

- A number of sampling areas (usually counties) are selected from the country as a whole; these areas are chosen so that, together, they provide a good demographic representation of the total population. The counties are first stratified to contain similar groups of counties.
- Generally, there are some strata selected in each region of the country. There is an expectation that they are somewhat homogenous and at this level of sampling, strata can be selected subjectively without much loss of representativeness. Researchers often find it difficult to determine number of strata needed because of various survey needs
- When devising these areas, it is generally considered important to have relatively proportional representation of regions, urban and rural areas, and county populations

sizes. These counties are known as the Primary Sampling Units (PSUs).

- A similar process is used to choose blocks (or other smaller areas) to sample again within each primary sampling area. That is, consideration is given to the demographic characteristics of the next level of area sampling. In many cases, these areas will be chosen to represent minority populations, newly built housing units, and other characteristics determined to be important.
- Both the first and second stages are forms of nonproportional stratified sampling.
- In many cases, smaller units {perhaps blocks in urban areas and geographic areas in rural areas) will be randomly chosen. These may be chosen using probability proportional to size sampling.
- The housing units in the "blocks" will be listed by interviewers and a sample of units will be chosen.
- Usually a cluster of housing units will be interviewed in each "block."
- Within each housing unit, an adult (in most cases) will be randomly chosen to be interviewed.
- Depending on the post survey weighting procedures and the details of the sampling, the representativeness of the sample can be at the various levels of geography. For the Census Bureau because they have a large number of PSUs, they can feel comfortable at producing estimates for relatively small geographical areas; for the other research organizations with fewer PSUs, they will be representative at larger (e.g., census region) areas.

Example: Tesing Consumer Attitude Towards a New ad.

The new ad: A pretty lady drank a can of soft drink and winked at the TV watchers, said, "I love *'Thanda'*" sexily. *"Thanda"* was the name of the soft drink.

The research problem: Will this advertisement stimulate the purchase intention of the consumers?

After literature review and some small focus group discussions, the researchers believed that: (1) pretty ladies attract more males than females. (2) Attitude includes the affective, cognitive and behavioral components. (3) If the audiences like the ad, it is more likely that they will purchase the product.

Methodology

Sixty-four (32 males and 32 females) subjects are invited to watch the ad, and then fill in a questionnaire to indicate their attitudes.

Questions included: attitude towards the ad. and demographic background

A. Attitude (five point Likert scale. "5" = strongly agree; "1" = strongly disagree):

a. This is a good ad.

b. I like this ad.

c. I will purchase *"Thanda"*

B. Demographic background

a. Respondent's sex
b. Their occupational status (working or studying)
c. The educational background (arts or science)
d. Their age
e. Their nationality

Hypothesis Development

Hypothesis: Assumption, theory or guess that a researcher or manager makes about some characteristics of the population under study.

H_0: The attitudes between male and female towards the advertisement are the same.

H_a: The attitudes between male and female towards the advertisement are different.

1. **In marketing research, we usually state only the hypotheses that we want to test. More commonly, they are the alternative hypotheses.**

H_1: The purchase intention is higher among male respondents than that among female respondents.

H_2: The more positive the respondent shows his/her attitude towards the advertisement, the more likely that he/she will purchase the product.

2. **After we have formulated the research question, developed hypotheses and designed the questionnaire, we can collect the data.**

3. **Select the appropriate test statistic:**

For H_1: Test of differences, sample size = 64, dependent variable (purchase intention) is interval, independent variable (sex) is nominal. The appropriate technique is z-test (t-test in *SPSS*).

For H_2: Test of association, sample size = 64, dependent variable (purchase intention) is interval, independent variables (cognitive and affective attitude) are interval. The appropriate technique is regression.

4. Develop a decision rule; select a significance level (refer to "Type I and Type II error").

5. Calculate the value of the test statistic (refer to "T-Test" and "Chi-square Test").

Type I and type II Error

Type I error (a error): Reject the null hypothesis (H_0) when, in fact, it is true.

Common used a: 0.05, 0.01 or 0.10 respectively.

An a = 0.05 means there is a 5% chance that you reject the null hypothesis but in fact it is true.

Type II error (b error): Accept the null hypothesis when, in fact, it is not true.

$\alpha + \beta \neq 1$ (when $\alpha \neq 0$ or $\beta \neq 0$)

Descriptive Statistic

Data entry: "Variable Name", "Type…", Labels…", "Missing Values…" and "Column Format…".

Descriptive statistics: frequency table, mean, standard deviation and histogram.

Is there any data entry error?

Two-Sample T-Test

Statistics —— Compare Means —— Independent-Samples T-Test

Example: Comparing cognitive attitude between male and female samples

Sex	N	Mean	SD
Male	32	3.5313	**1.1635**
Female	32	2.6875	**1.2297**

Check equality of variance; check Sig. (p value)

	F	Sign. (p)	t	df	Sign. (p)
Variances equal	0.250	**0.619**	2.819	62	**0.006**
Variances not equal			2.819	61.811	0.006

Testing differences between two sample means by t-test (you do not need to show calculation during the examination, but have to interpret the data.)

Hypothesis

H_0: Variance in male sample = Variance in female sample

H_a: Variance in male sample ≠ Variance in female sample

We set $\alpha = 0.05$, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.619 is bigger than 0.05, we cannot reject H_0; the variances between male and females samples are assumed equal.

Comparing the mean of male and female samples

Sex	N	Mean	SD
Male	32	**3.5313**	1.1635
Female	32	**2.6875**	1.2297

Hypothesis

H_0: mean of the male sample = mean of the female sample

H_a: mean of the male sample ≠ mean of the female sample

We set a = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.006 is smaller than 0.05, we reject H_0; the means between male and females samples are not equal.

Exercise: So how about this H_1: The purchase intention is higher among male respondents than that among female respondents. Do it by yourself.

One-Sample t-Test

Example: Is the average purchase intention significantly different from "3"?

Statistics —— Compare Means —— One-Sample T-Test

	N	Mean	SD	Std Error
"Beh"	64	**3.0313**	1.2844	0.1606

	T	df	Sign. (*p*)	Mean diff.
"Beh"	0.195	63	**0.846**	0.03125

Hypothesis

H_0: Sample mean = 3

H_a: Sample mean ≠ 3

We set a = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.846 is bigger than 0.05, we cannot reject H_0; the sample mean is not significantly different from 3.

Chi-Square (χ^2) Test

Chi-square test: Test of the goodness of fit between the observed distribution and the expected distribution of a variable.

Chi-square test of a single variable:

Statistics —— Nonparametric Tests —— Chi-Square

Example: Testing the nationality of the respondents.

Test: the frequencies of different categories within a variable are equal (or according to certain expected proportion).

Hypothesis:

H_0: Nationalities of respondents are equally distributed

H_a: Nationalities of respondents are not equality distributed

We set a = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.025 is smaller than 0.05, we reject H_0; the nationalities of respondents are not equally distributed.

Chi-square test of two variables

a. For more on calculation: Textbook p. 526-8

b. Statistics —— Summarize —— Crosstab.

c. Example: Testing whether respondent's sex and occupational background are independent.

d. Remember to check "Chi-square" box. Otherwise the output won't display the chi-square statistic.

	Arts	Science	Total
Male	7 (11)	25 (21)	32
Female	15 (11)	17 (21)	32
Total	22	42	64

Hypothesis:

H_0: There is no relationship between sex and education background

H_a: There is a significant relationship between sex and education background

We set a = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.035 is smaller than 0.05, we reject H_0; there is a significant relationship between sex and education background.

Regression Analysis

Analysis of the strength of the linear relationship between two or more variables when one is considered the dependent variable and other(s) the independent variable(s).

If we present the bivariate relationship by a scatter diagram, we usually put the independent variable at the x-axis and the dependent variable at the y-axis.

Types of relationship between independent and dependent variable: **No relationship, positive linear relationship, negative linear relationship**, curvilinear relationship, and Parabolic relationship.

The linear equation: y = a + bx (positive linear); y = a – bx (negative linear). Where "a" is the y-intercept (the value of y when x = 0) and "b" is the slope of the regression line.

The least-squares method

Two simple regression models (you do not need to show these calculations in the exam, but to interpret the data)

1. Hypotheses

H2a: The more positive the respondent shows his/her COGNITIVE attitude towards the advertisement, the more likely that he/she will purchase the product.

H2b: The more positive the respondent shows his/her AFFECTIVE attitude towards the advertisement, the more likely that he/she will purchase the product.

2. Linear equations: "beh" = a + b ("cog")

3. Model summary

Interpretation: This model provides a R^2 of 0.723, which suggests 72.3% of the sample variation in "beh" is explained by the equation.

4. ANOVA

Model	Sum of Squares	df	Mean square	F	Sig.
SSR	75.134	1	75.134	161.725	0.000
SSE	28.804	62	0.465		
SST	103.937	63			

Testing the significance of the equation

The *F* statistics tests the probability that that b is bigger than zero

Hypothesis:

H_0: b = 0

H_a: b ≠ 0

If H_0 is accepted, which suggests the slope of the regression line is not statistically different from zero; no linear relationship exists between "beh" (dependent variable) and "cog" (independent variable). Information about the independent variable would not help in explaining the variation in the dependent variable, the equation is not more powerful than using the mean of "beh" to predict any individual "beh" observation. If H_0 is rejected, which suggests the independent variable is important in predicting variation in "beh".

As SPSS has provided the F value and p value (i.e. the "sig."), you do not need to calculate by yourself (if you would like to know the calculation, come to see me in person).

We set a = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.000 is smaller than 0.05, we reject H_0; b is significantly different from zero. In other words, the independent variable is important in explaining the variation in "beh".

5. Coefficients

Model	B	Std. Error	Beta	t	Sig.
Constant	0.339	0.228		1.487	0.142
"Cog"	0.866	0.068	0.85	12.717	0.000

The estimated equation of this model is:

"Beh" = 0.339 + 0.866 "cog"

One multiple regression model (you do not need to show these calculations in the exam, but to interpret the data)

1. **Hypotheses**

H2: The more positive the respondent shows his/her COGNITIVE and AFFECTIVE attitude towards the advertisement, the more likely that he/she will purchase the product.

2.   Linear equations: "beh" = a + b_1 ("cog") + b_2 ("aff")

3.   Model summary

Model	R	R^2	Adjusted R^2	Standard Error
1	0.89	**0.807**	0.801	0.5731

Interpretation: This model provides a R^2 of 0.807, which suggests 80.7% of the sample variation in "beh" is explained by the equation.

4. ANOVA

Model	Sum of Squares	df	Mean square	F	Sig.
SSR	83.904	2	41.952	127.743	0.000
SSE	20.033	61	0.328		
SST	103.937	63			

Testing the significance of the equation

The F statistics tests the probability that that b_1 or b_2 is bigger than zero.

Hypothesis:

H_0: b_1 = b_2 = 0

H_a: b_1 or b_2 ≠ 0

If H_0 is accepted, which suggests the slope of the regression line is not statistically different from zero; no linear relationship exists between "beh" (dependent variable) and independent variables. Information about the independent variables would not help in explaining the variation in the dependent variable, the equation is not more powerful than using the mean of "beh" to predict any individual "beh" observation. If H_0 is rejected, which suggests at least one independent variable is important in predicting variation in "beh".

We set a = 0.05, thus the decision rule are:

Accept H_0 if   p > 0.05

Reject H_0 if   p < or = 0.05

Since 0.000 is smaller than 0.05, we reject H_0; at least one b is significantly different from zero. In other words, at least one independent variable is important in explaining the variation in "beh".

5. Coefficients

Model	B	Std. Error	Beta	T	Sig. (p)
Constant	0.0619	0.199		0.311	0.142
"cog"	0.539	0.085	0.529	6.321	**0.000**
"aff"	0.418	0.081	0.433	5.168	**0.000**

Assessing the importance of individual independent variables

The significance of individual independent variables should be assessed. Each of the coefficients will be tested by the following hypothesis"

H_0: b_x = 0

H_a: b_x ≠ 0

The significance of individual independent variable is assessed by its t-ratio.

We set α = 0.05, thus the decision rules are:

Accept H_0 if   p > 0.05

Reject H_0 if $p <$ or $= 0.05$

According to the p values, both independent variables are important in the equation. The estimated equation of this model is:

"beh" = 0.0619 + 0.539 ("cog") + 0.418 ("aff")

Concluding Thoughts

Consumer research by itself does not arrive at marketing decisions, nor does it guarantee that the organization will be successful in marketing its products. However, when conducted in a systematic, analytical, and objective manner, marketing research can reduce the uncertainty in the decision-making process and increase the probability and magnitude of success.

Case on Consumer and Competition

Swan Textile Mills Ltd

Mr. Advani is a young sales manager in a popular textile mill of Mumbai-Swan Textile Mills Ltd. The company sells directly to retailers all over India. Recently, Advani faced tough sales objections from southern retailers. The objection is, we can 'get the same patterns and fabrics cheaper from Swarna Textile Mills Ltd, Mumbai.'

Advani found that the truth in their statement. Swarna Company copied systematically and even printed a trade mark 'Roshini' (similar to the trade mark 'Rohini' of Swarna Company at the edge of each yard of the fabric. They supplied their cloth at one-third the price.

As sales started slipping, he thought of a strategy to prove the quality of Swan products. Advani devised a simple demonstration to prove the qualitative difference between the two products. He took fabric samples from both fabrics and, demonstrated the differences and explained the reasons. He asked the retailers to find out the customers' views after 2-3 washings of Roshini Brand. Within a month after this demonstration, the irate housewives in the south flooded retail shops with complaints that the cheap Roshini fabric, lost its luster and started falling apart after 2 or 3 washings. They started demanding 'Rohini' and no 'Roshini' brand fabrics. Sales of Rohini shot up in a few weeks.

Questions

1. If you had been in Advani's place, would you welcome or fear this objection? Why?

2. Could Advani have prevented the initial drop in sales of Rohini through better planning?

3. Would this approach be possible in other markets?

Taken from Bangalore University's second semester MBA examination, September-October 1999.

Notes

1. Develop a questionnaire to measure students' attitudes toward the instructor in this course.

   a. Prepare five statements to be measured on a Likert scale.

   b. Prepare five semantic differential scales to measure these attitudes. Can the same dimensions be measured by using either scaling technique? Explain your answer.

2. Neutrogena is a manufacturer of personal care products for young adults. The company would like to extend its facial cleansers product line. Design a (a) qualitative and (b) quantitative research design for the company focused on this objective.

LESSON 8:
CONSUMER NEEDS, TYPES
AND SYSTEMS OF NEED

Introduction

We human beings have unlimited needs and our needs which we study as consumer needs are the basis of all modern marketing. We can say that needs are the essence of marketing concept. In fact, the key to a firm's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competitor. In this chapter we basically will be discussing the basic needs that operate in most people to motivate behaviour. We also go further to explore the influence such needs have on consumption behaviour.

Objectives

After studying this lesson you should be able to

- Define the terms needs and goals in the context of consumer behavior.

- Explain need systems, specifically, identify the components of Maslow's need theory, and offer a critique of needs theory.

- Understand other major theories of needs and apply them in consumer behaviour situations

1. What is Need?

So now let us see what is need. We can say there is a cause for all the activities of human being and each activity is backed by a particular need or motive. Needs, we can say, is a feeling or desire for something, which is lacking and through performing various activities to get the feeling of lacking removal and thus become satisfied. Thus any human behaviour is caused by motives or needs. Hence to make it more clear, motivation is concerned with:

Needs-the most basic human requirement

Drives-tell show these needs translate into behaviour

Goals-what these behaviour aim to achieve

Pause for Thought #1

Nutrament Debunked...

Nutrament, a product marketed by Bristol-Myers Squibb originally was targeted at consumers that needed to receive additional energy from their drinks after exercise etc., a fitness drink. It was therefore targeted at consumers whose needs were for either *love and Belonging* or *esteem*. The product was not selling well, and was almost terminated. Upon extensive research it was determined that the product did sell well in inner-city convenience stores. It was determined that the consumers for the product were actually drug addicts who couldn't digest a regular meal. They would purchase Nutrament as a substitute for a meal. Their motivation to purchase was completely different to the motivation that B-MS had originally thought. These consumers were at the *Physiological* level of the hierarchy. BM-S therefore had to redesign its MM to better meet the needs of this target market.

Motives often operate at a subconscious level therefore are difficult to measure.

Types and Systems of Need

These needs that we discussed so far could fall into three broad categories:

a. **Physiological (or primary) needs**: Those needs, which are innate, or biogenics needs and sustain life. E.g., food and air

b. **Psychological needs**: personal competence

c. **Learned (secondary or cultural) needs**: acquired needs

2. Needs Arousal

Needs can be aroused by four distinct stimuli:

- Physiological

- Cognitive

- Environmental

- Emotional

To understand the stimuli better let us look at examples for each kind of stimuli:

Type of Stimulus	Mechanism	Need aroused
Physiological	• Dryness in the tongue	Thirst (Primary)
Cognitive	• Seeing an ad which reminds you to wish your friend happy birthday • Remembering son who is staying far away	Social Affection
Environmental	• Finding the right house to convey prestige and match your budget	Prestige Success
Emotional	• Elderly couple staying alone have a fear of being burgled	Security

Fig 3.3 Interrelationship between stimulus & need arousal

3. Goals

Goals are known as the sought after result of motivational behaviour. Goals may be generic or specific.

Selection of Goals

For a given need choice of the goal to satisfy the need will depend on a number of things:

- Personal experience

- Social and cultural norms and values

- Personal norms and values

- Physical and or intellectual capacity
- Accessibility of goal
- Self image

3.1 Hulls Drives reduction Theory

Let me mention here, a very popular theory which links needs and drives with goals. This theory is known as Hull's drive Reduction theory. Let us look at an illustration of this theory.

```
┌────────┐        ┌────────┐        ┌──────────┐
│  Need  │        │ Drive  │        │  Goal-   │
└────────┘        └────────┘        │ Directed │
    ↑                  ↑            │ behaviour│
    │                  │            └──────────┘
    │                  │                 ↑
    │                  │                 ↓
    └──────────────────┼─────────────────┘
                       │
                 Drive reduction
                       │              Drive
                       │              Reduction
                       │              Re-enforces drive
                       │              Reducing
                       │                   behaviour
                       ↓                      ↑
                       └──────────────────────┘
```
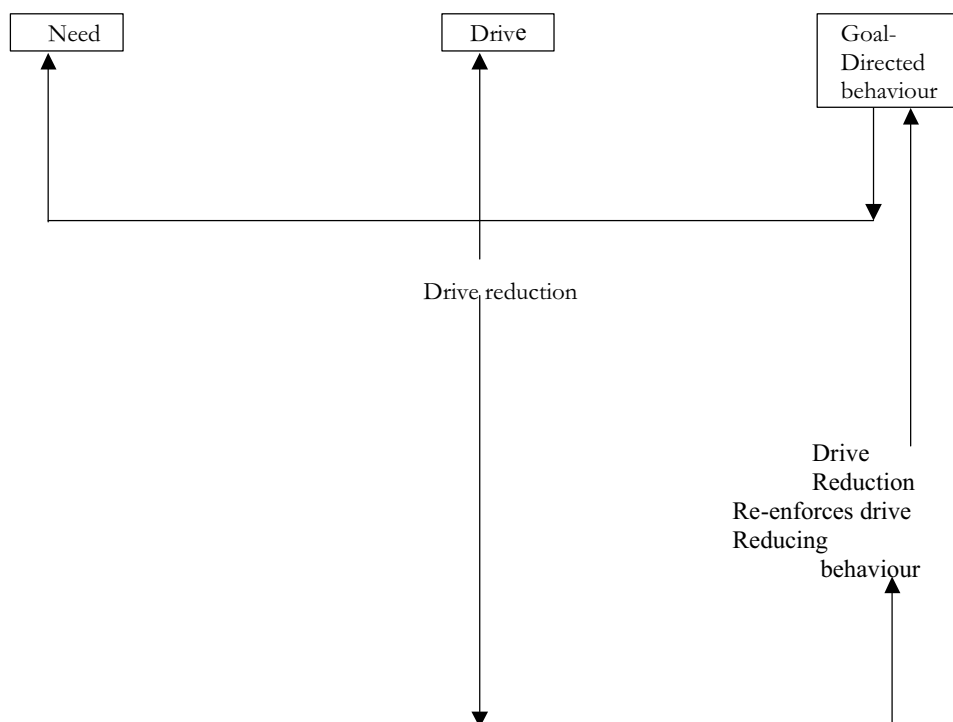
Fig 3.4 A simple view of Hull's drive reduction theory

As we can see above in figure 3.4, a need will give rise to a drive and the resulting behaviour will be aimed at reducing the drive and thereby the need. According to Hull, the drive reduction act or the act of reducing the drive, will re-enforce the drive reducing behaviour whereby it is likely the behaviour be repeated again in case of recurrence of the need in the future.

We can also explain this concept as shown below in figure 3.5.

```
( Stimulated Needs ) → ( Aroused tensions ) → ( Goal-directed Behavior )

┌──────────────────┐   ┌──────────────────┐   ┌──────────────────┐
│ "Lack of something│   │ "Uncontrollable   │   │ "actions taken by │
│ Necessary for the │   │ feeling activated │   │ Individual to     │
│ Well-being of the │   │ by internal       │   │ reduce aroused    │
│ Individual"       │   │ or external       │   │ tensions and      │
│                   │   │ stimulus "        │   │ satisfy stimulated│
└──────────────────┘   └──────────────────┘   │ "                 │
                                               └──────────────────┘
```
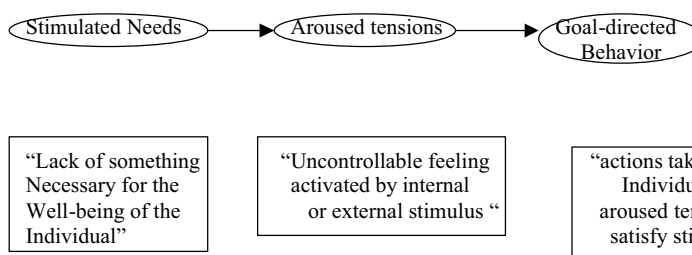
Fig 3.5 reduction of aroused tensions

Let us take an example to understand this well. Suppose you are out in the Sun and feeling thirsty. Your behaviour will be to seek and find out the nearest source of refreshment, a small restaurant perhaps. Going by Hull's theory it is most likely that you will prefer to drink a cool drink, which has satisfied your thirst in the past, 'Pepsi' for instance. You may also go for something similar like 'Coca-Cola' or try something new. If this new option is found to be satisfactory, then it is likely to be selected next time you are thirsty.

4. Needs and Wants

Now that we a have a fair idea of what is need, let us look at the difference between need and want although we use the two terms interchangeable at times. So what is the difference between need and want?

- A **need** is an unsatisfactory condition of the customer that leads him or her to an action to make the condition better

    –e.g. the need for food due to hunger.

- A **want** is a desire to obtain more satisfaction than is absolutely necessary to improve an unsatisfactory condition

    –E.g. the desire for that food to be chocolate!

Let us now see what exactly determines needs and wants.

So, What determines customer needs and wants?
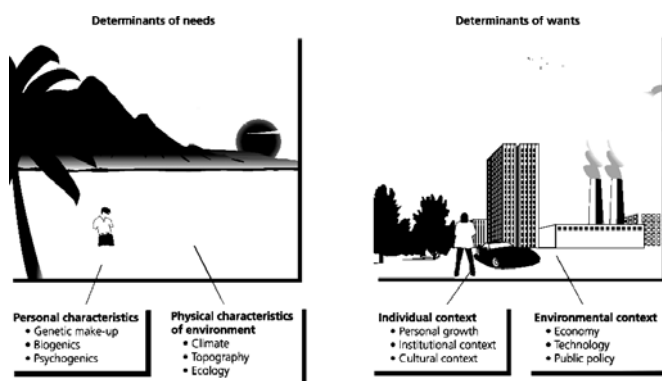
Fig 3.6 A comparison of the determination of the needs and wants

What determines customer needs?

1   *Personal characteristics of the individual:*

- **Genetics** – the branch of science dealing with heredity and chemical/biological characteristics

    – E.g. food allergies

- **Biogenics** – characteristics that individuals possess at birth

    – E.g. gender and race

- **Psychogenics** – individual states and traits induced by a person's brain functioning

    – E.g. moods and emotions.

2   *Physical characteristics of environment:*

- Climate, including temperature, attitude and rainfall

    – E.g. winter versus summer clothing

- Topography – refers to the physical condition of the location

- – E.g. mountain bikes in certain terrain

- Ecology, including quality of air, ozone layer and food chain

    – E.g. sun protection and allergy medications.

What determines customer wants?

1. The individual context:

- Personal worth or the financial resources available to the individual

    – E.g. luxury versus budget cars

- Institutional context – the groups and organisations that a person belongs

    – E.g. teen clothing styles

- Cultural context – the influence of a customer's culture and cultural values

    – E.g. ethnic foods

2. The Environmental Context:

- Economy
- Technology
- Public Policy

Can you try and give examples for the environmental context s mentioned above?

We can summarise all these determinators of needs and wants in the following table given in figure 3.1 as the impact of need and want determinants

Impact of Need and Want Determinants

Personal Characteristics		Environment Characteristics	
		Physical	Contextual
	Physical	1. Needs-driven markets (e.g., medicine for cold and cough)	3. Personal needs and environmental wants (e.g., microwavable foods)
	Contextual	2. Personal wants and environmental needs (e.g., Pashmina Shawl)	4. Wants driven markets (e.g., Theatre attendance)

Fig 3.1 Matrix of person and environment characteristics

We can take a few more examples to explain this further:

1. Needs-driven markets

    –E.g. summer clothing

2. Personal wants and environmental needs

    –E.g. name-brand summer clothing

3. Personal needs and environmental wants

    –E.g. ready to eat meals

4. Wants-driven markets

    –E.g. designer clothing

Need for arousal, cognition and attribution

- Arousal seeking
    - –Optimal level of stimulation: not bored/overwhelmed
    - –Level of adaptation: level perceived as normal
    - –Arousal seeking motive: stimulation at optimum level
- Curiosity: need for cognition
    - –Need for knowledge/information/understanding
    - –Tolerance of ambiguity: degree to which lack of information causes anxiety
    - –Market mavens: have information about many products and provide market information to customers
- Need for attributions
    - –Inferences about causes of events and behaviour of self and others
- Internal attributions –Ascribing to personality dispositions, traits, abilities, motivations or feelings
- e.g. 'he/she did it because they were bored'
- External attributions–Ascribing to situational demands or environmental constraints beyond the control of the individual
- E.g. 'he/she did it because of the weather'

5. Motive

A construct representing an unobservable force that stimulates and compels a behavioral response and provides specific direction to that response

Needs occur when a perceived discrepancy exists between an actual and a desired state of being

Note that there are many theories of motivation:

- Don't look at these as "right" or "wrong"; they are just theories.
- None are validated, but seem intuitively logical.

Multiple Motives

Consumers usually have multiple motives for particular behaviors. These can be a combination of:

Manifest

known to the person and freely admitted

Latent

unknown to the person or the person is very reluctant to admit

Note: different motives can lead to the same behavior; observing behavior is not sufficient to determine motives.

Unsatisfied need===>
. . . . .tension===> . . . . drives===> . . . . search behavior===>
. . . . satisfied need===>
. . . . Reduction of tension

A model of motivation might look like:

As we have already studied about most of the models of motivation in earlier semesters, we will only take a cursory glance at some of the major models.

5.1 Maslow's Hierarchy of Needs

Abraham Maslow hypothesized that within every human being there exists a hierarchy of five needs:

1. Physiological
2. Safety
3. Social
4. Esteem
5. Self actualization

(Abraham Maslow, Motivation and Personality, 1954)

You may use this theory as a conceptual guide; it is intuitively appealing. However, at times it is difficult to support it.

E.g., why would a person like Dr. Verma spend a few years in a doctoral program, attempting to raise a family of four on Rs.12, 000 per month, if "self actualization" shouldn't occur without first meeting lower order needs?

Nonetheless, one point that can be made from looking at Maslow's theory and from others is that we can expect different people in different situations to be motivated in different ways and toward different goals depending on what needs have been met. That is, while the specific factors of Maslow's idea are not valid in all situations, the idea that motivation can work in a hierarchical fashion is a valid concept.

However, to explain this further we end the discussion on this model by taking the example of household Customers and their different levels of needs.

Maslow's hierarchy of needs for household customers

- *Physiological needs*
    - –Food, clothing and shelter
- Safety needs
    - –Insurance, car safety features
- Social needs
    - –Greeting cards, designer clothing
- *Esteem needs*
    - –Choice of stores, self-gifting
- Self-actualisation needs
    - –Self-improvement activities

5.2 Sheth's Five Needs

Sheth had identified five levels of needs, which we are mentioning below, with some examples:

- *Functional needs*

  –Those needs which ssatisfy a physical/functional purpose, e.g. soap

- *Social needs*

  –Needs that Allow identification with desired group, e.g. logos

- Emotional needs

  –Those needs which, create appropriate emotions, e.g. joy on getting gift

- Epistemic needs

  –The Need for knowledge/information, e.g. newspaper

- Situational needs

  –The needs, which are ccontingent on time/place, e.g. emergency repairs

5.3 McCLELLAND'S Three Needs Theory

As we know, having studied this before McClelland had identified three types of needs: Need for achievement, Need for Power, and Need for affiliation

- **nACH**:

  need for achievement: drive to excel: drive to achieve in relation to a set of standards; to strive to succeed.

- **nPOW**:

  need for power: the need to make others behave in a way that they would not have behaved otherwise.

- **nAFF**:

  need for affiliation: the desire for friendly and close interpersonal relationships.

High nACH

Some people like goals, some do not. These people are high achieves.

- they are not gamblers
- they avoid very easy or very difficult tasks
- low odds of losing present no challenge to their skills
- high odds of losing offer no rewards from happenstance success
- get most satisfaction from "50-50 odds

High nPOW

- these people like being "in charge"
- more interested in the prestige of power than in effective performance

High nAFF

- these people strive for friendship
- prefer cooperative rather than competitive situations
- desire relationships with a high degree of mutual understanding

McClelland's idea suggests why it is that different people behave in different ways. We all have more or less of a need on some of these factors, making each of us motivated toward different personal goals. People who have a higher nACH would probably make better entrepreneurs or salespeople and be lousy team players. People who have a higher nPOW would probably make better leaders but could be obnoxious "arm twisters" as salespeople. People who have a higher nAFF would probably make the best team players but would lack the "self drive" to be salespeople running their own territory.

The point of this is to note that different people have different personalities.

6. Customer Emotions

Emotions

We can say that emotions are *Consciousness of the occurrence of some physiological arousal followed by a behavioural response along with appraised meaning of both*

- Schachter's two-factor theory

  –Experience of emotion depends on automatic arousal and its cognitive interpretation.

  –Marketers respond by designing the stimulus to fit appropriate consumption emotions and aiding in message appraisal

  E.g. symbolism in advertising.

6.1 Types of Emotions

- Plutchik proposed eight primary emotions:

  –Fear: from timidity to terror

  –Anger: from annoyance to rage

  –Joy: from serenity to ecstasy

  –Sadness: from pensiveness to grief

  –Acceptance: from tolerance to adoration

  –Disgust: from boredom to loathing

  –Anticipation: from mindfulness to vigilance

  –Surprise: from uncertainty to amazement

- Other emotions are combinations, e.g. joy and acceptance combine as love; disgust and sadness combine as remorse.

Article #1

Needs, Self-expression and Consumer Behaviour

NEEDS, motivation and personality are related concepts and it would be appropriate to consider them together in a practical context. Need is a state of deprivation.

Motivation is the drive, which propels a person towards achieving his goals, and personality is a set of inner characteristics, which enable a person to decide how he or she should respond to the environment.

Motivation and personality could be linked - a person with a high degree of confidence may be assertive. There are a number of theories on personality. Freudian theory assumes that the behaviour of individuals would be based on unconscious needs and drives. According to this theory, the human personality consists of three parts - id, ego and super ego. The id is the component, which consists of impulses and primitive instincts, which urge the individual to move towards immediate gratification. A number of product categories which may not have well defined functional attributes and which are oriented towards sensual pleasure formulate communication, which may appeal to the id part of the personality. Perfumes, cigarettes and liquor are some categories, which make use of the approach. Black Knight and Bacardi brands are examples, which have adopted this route to communication.

There are two kinds of needs - primary and secondary. Primary needs are associated with physiological needs such as thirst, hunger and sex. Secondary needs are acquired needs like sense of belonging, status and self-esteem.

Consumers may not consciously know their secondary needs and it is in this situation that the symbolism associated with brands could appeal to consumers. Louis Philippe, Park Avenue in apparel, Mercedes in automobiles and Fastrack in watches are some examples, which reflect the symbolism in brands. Consumers, by associating themselves with these symbolic brands, are able to gratify their psychological needs. Research methods are required to probe into such needs of consumers.

Liril soap was launched in the seventies after a research agency researched and found that housewives had a distinctive need for fantasizing. This was captured in the advertisement for Liril - waterfall, freshness (denoted by green) and the indulgence of the model in the advertisement.

This communication is still being used (with variations brought in) after more than two decades.

Multiplicity of Needs

Normally consumers have more than one need and analysing the multiplicity of needs (with their importance) could provide insights for marketers. A buyer of no-frill Maruti may be interested in the brand because of its low price, fuel economy and adequate comfort. But low price could be the pre-potent need, which could take the brand into the consideration set of consumers.

Types of Goals

Goals can be positive or negative. A positive goal is one towards which behaviour is directed and a negative goal is one from which behaviour is directed away. This concept is useful when USP (unique selling proposition) is researched. For example: would consumers want white teeth or would they like to prevent tooth decay, could be a decision which needs to be taken by the marketer and the concept of goals are likely to be useful in this situation.

Extrinsic and Intrinsic Needs

Needs from the viewpoint of application to a practical context could be classified as extrinsic and intrinsic needs. Extrinsic needs are those, which motivate an individual to achieve an end result. Buying a status symbol (designer watches or furniture) to impress others could be associated with extrinsic needs. If the individual buys a car for his own comfort and enjoyment, it gets associated with intrinsic needs. It may be worthwhile to gauge the linkages between intrinsic and extrinsic needs before a communication package is formulated for a brand. The example would explain the concept of examining the linkages between intrinsic and extrinsic needs.

The list of needs provided in the TV example, illustrate the concept. In-depth research is required to gauge the degree and importance of these needs. This would also be useful to select the imagery, which needs to be associated with the chosen USP. For example, Cielo carried imagery in which the proud owner of the brand reflected his happiness at procuring the brand after he had achieved success. This typically involves both intrinsic and extrinsic motives.

Trade-off motivators

Research has shown that the manner in which consumers perceive marketing communication has important implications for marketers. This is especially in the area of FMCG products such as fast foods. Healthy and fast (meaning convenience) may be perceived as tasting bad and oriented towards laziness. This ambiguity could be referred to as trade-off motivators and marketing researchers could probe such propositions with a view to unearth such trade-off motivators.

Self-concepts and their implications

In almost any category in consumer products, symbolism makes use of self-concept. Self- concept is the image an individual holds about himself. There are a variety of self-concepts, which could be useful to marketing communication. They are:

- (a) **Actual self-concept** - how the individual perceives himself. A group of consumers may perceive themselves as rebellious, non-conformists who seek individuality and freedom in their lifestyles. Charms brand of cigarettes,

during the early eighties, was perhaps one of the early brands in the Indian context to create a brand personality using the power of self-concept. The Spirit of Freedom and Charms is the way you are were some of the punch lines in the advertisement of the brand, which featured young models. In order to add to the claims about freedom they had packaged the brand in the pack, which carried denim type of design. This was the time when denim, which has its origin in the US, was getting accepted in the Indian context for its functional and symbolic appeals. The lifestyle type of advertising and the association (normally associated in the West with casualness and freedom) made the brand an inherent part of the youth culture during its time. The brand had used either actual self-concept or others actual self-concept (how an individual likes others to perceive him).

- (b) **Ideal self-concept** - this is concerned with how an individual would like to ideally perceive himself. There is a thin line of difference in that ideal self concept has an overtone of futuristic aspiration in it (more deeper than an active self-image) - the individual perceives the ideal image of himself/herself based on his aspirational needs and this would depend on the individuals status - financial and educational, childhood upbringing, environmental exposure and personality traits. An upcoming businessman may buy the Lacoste brand of apparel, which is associated with the profile of a globetrotter, club membership, some, kind of exclusivity and perhaps certain up market sports. There could also be a variant of this kind of self-concept in the form of others ideal self-concept (how others should ideally perceive the individual).

The individual may use status symbol to impress others (others ideal self-concept) but may resist from using them whenever there is a situation where the individual feels others do not matter (personal discretionary time/leisure etc. vis-à-vis professional work).

Marketers could use such psychographic information with timestyles (how individuals spend their time) to come out with appropriate appeals for products and services (vacation and week-end cars are examples of categories where these kinds of orientation are likely to be useful).

- (c) **Expected self-image** - this kind of image is between actual and ideal self-images. It is likely to be useful to marketers because changing the self-image radically towards the ideal image would be difficult and expected self-image is one which consumers could identify with. A typical example is the advertisements of computer education institutes, which attempt to draw prospective consumers for their courses generally ranging from a few weeks to two years.

Though there is an element of aspiration, consumers feel it leads to a situation which is a stepping stone (completion of the course to get a job) rather than the realisation of their dreams (the ultimate ideal self-image).

For a given target segment, the short term aspirations may reflect actual self-concepts and the long term ones the ideal self-concepts.

Individual differences as reflected through self-perception, sensitivity to others perception and rational and irrational needs form the basis on which brands carry their psychological warfare in the minds of consumers.

Points to Ponder

> **Needs is a feeling or desire for something, which is lacking and through performing various activities to get the feeling of lacking removal and thus become satisfied.**

Types of Need

- **Physiological (or primary) needs**
- **Psychological needs**
- **Learned (secondary or cultural) needs**

Needs Arousal

- Physiological
- Cognitive
- Environmental
- Emotional

Sheth's five needs

- *Functional needs*
- *Social needs*
- *•Emotional needs*
- *Epistemic needs*
- *•Situational needs*
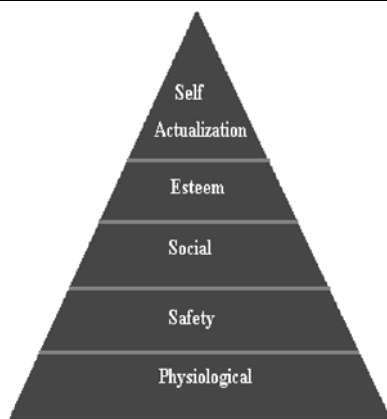
(Abraham Maslow, Motivation and Personality, 1954)

McCLELLAND'S three needs theory

- **nACH**:

- **nPOW**

- **nAFF**

LESSON 9:
CONSUMER MOTIVATION CONCEPT

Introduction

It is important to understand fully why people might want to buy your product or use your service in order to better design the product and communicate relevant benefits.

For that matter you can take your own example, and see why you buy what you buy?

Note that for existing products, different people may seek different benefits from the same product or though seeking the same benefits may regard them with differing degrees of importance. For instance, much computer advertising has been criticised as placing excessive emphasis on statements about hardware specifications rather than telling people what the computer actually can do for them. For some knowledgeable people a statement of specifications may be easily interpreted in terms of benefits while for others, perhaps new to computers, such information may be meaningless.

Note also that if a new product is far removed from people's range of experience, it may be difficult for them to articulate the benefits they perceive such a product providing. Other techniques than simply asking them may need to be used in such cases.

The benefits a consumer may seek from a product may vary depending on the situation in which the product is to be used. For instance a consumer may approach the purchase of a bottle of wine in quite a different way when the bottle is for own use rather than to be given as a gift to a host at a party. In the second instance the benefit sought from the bottle may well be to act as a symbol of the strength of friendship between host and guest, rather than for its taste.

In this lesson we will be looking at the difference between motives and motivation, and the process of motivation. In the next sections we will be looking at Customer Involvement and Values and how they affect the motivation status of consumers.

Objectives

After studying this lesson you should be able to:

* Explain motivation.
* Understand positive and negative motivation.
* Explain the motivation process
* Discuss consumer involvement
* Apply consumer values

1. Motives and Motivation

Now that we know about needs and wants in details from the last lesson, we need to now move on the motivation. But before going into an in-depth discussion on these, we will first understand the distinct meanings of the three interrelated terms motives, motivating, and motivation.

* **Motives:** Motives give direction to human behaviour. We can say that a motive is an inner state that energizes, activates, or moves and directs or channels behaviour towards the goal.

* **Motivating:** This implies an activity engaged into by an individual, by which he or she will channelise the strong motives in a direction that is satisfactory.

* **Motivation:** Motivating can be described as the driving force within individuals that impels them into action. For instance, at the basic level, our body has a need (say hunger), which will translate into a drive (here the drive will be to obtain food) and the goal will be to satisfy the need (in this example to fee full in the stomach). This can be illustrated as under in figure 3.1
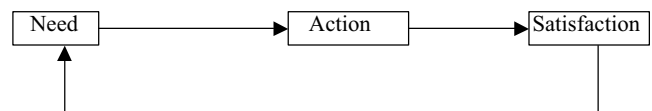
Fig 3.1 Need, action and satisfaction

1.1 Emotional Versus Rational Motives

Traditionally, the term rationality is associated with persons who are carefully weigh the pros and cons of all the alternatives and then choose the one that gives them the greatest utility. We can say that consumers who are rational generally select the goals after ascertaining the various objective criteria such as size, weight price etc. As opposed to this, emotional motives are those goals, which are selected on the basis of emotions involvement. Most of the time, we select such goals purely on the basis of emotion's involvement.

1.2 Positive or negative Motivation

Motivation can be either positive or negative. A positive motivation happens when an individual experiences a driving force towards an object or person or situation. This is also called person motivation. On the other hand, a driving force compelling the person to move away from someone or something will be known as negative motivation.

We can explain the difference between positive and negative motivation better if we take an example.

Lets say one of our students Rajesh, joins an organisation as an executive. After some time he gets promoted, and transferred to a new place. He then join the local club (a positive goal) so as to gain social recognition and make new friends. His wife may join the kitty parties held by other executive's wives to avoid a negative goal (ridiculed by others as an unsocial person). So we see in the above example how both positive and negative goals can motivate a person's behaviour.

2. Consumer Motivation

The study of **consumer motivation** essentially addresses the question: "Why do people shop?" The answer, really, is that people shop for a variety of reasons and it is very difficult to make generalizations. Shopping for food can, on one level, is seen as satisfying some basic survival need. The problem with that, however, is that most of us buy far more food than we would actually need for basic subsistence and many of the items we purchase in a supermarket are "luxuries" (relatively speaking).

One of the most influential studies of consumer motivation is that conducted by Tauber (1972). According to Tauber, there are two main categories of motivation for shopping:

Personal Motives

Role Playing	–	some shopping activities are associated with a particular role in society (housewife, mother, student, etc).
Diversion	–	shopping can be a form or recreation, or an escape from daily routine.
Self-Gratification	–	shopping can be mood-related, for instance where people engage in "retail therapy" to cheer themselves up or alleviate depression.
Learning	–	shopping is an ideal way to learn about new fashions and trends.
Physical Activity	–	for some people, a stroll around the mall can be their main form of exercise.
Sensory Stimulation	–	shoppers often report that they enjoy handling merchandise, the sounds of background music, the scents of perfume counters, etc, and visit stores or malls to indulge in this.

Social Motives

Social Interaction	–	people enjoy the opportunities for social interaction with friends, strangers, sales staff, etc.
Peer Affiliation	–	certain shops allow customers mix with key reference groups; e.g. people with shared interests, members of a social category they either belong to or aspire to, etc.
Status & Authority	–	shopping experiences are sometimes seen as ways of commanding respect and attention; e.g. during encounters with sales staff.
Pleasure of Bargaining	–	some shoppers love to "haggle", a way of obtaining goods at a better price or of priding oneself on the ability to make "wise" purchases.

The above categories are by no means mutually exclusive. Some 70% of the population visits a shopping mall at least once per week and they are liable to do so for a variety of reasons at any one time. Shopping is certainly far more than merely going to a store to buy a product one needs or wants – people often go to the mall with no intentions of spending any money at all!

Activity 1

What was the last item you purchased in a store? Did you go shopping specifically to look for it? Why did you buy it? Who was involved in you purchasing decision? Were you happy with the decision you made?

Exercise: Make a list of all the things you noticed last time you went shopping. Include anything at all that crosses your mind, from things you actually saw or did to things you felt. Save the list for later!

Motivation–The driving force of all human behaviour

- Drive–An internal state of tension that produces actions purported to reduce that tension
- Goal-object–Something in the external world whose acquisition will reduce the tension

A very popular definition of motivation is:

Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive. (Fred Luthans)

3. The process of Motivation

- Approach motivation–Desire to attain a goal object
- Avoidance motivation–Desire to protect oneself from an object
- Whatever the direction, motivation manifests in three facets: needs, emotions and psychographics.
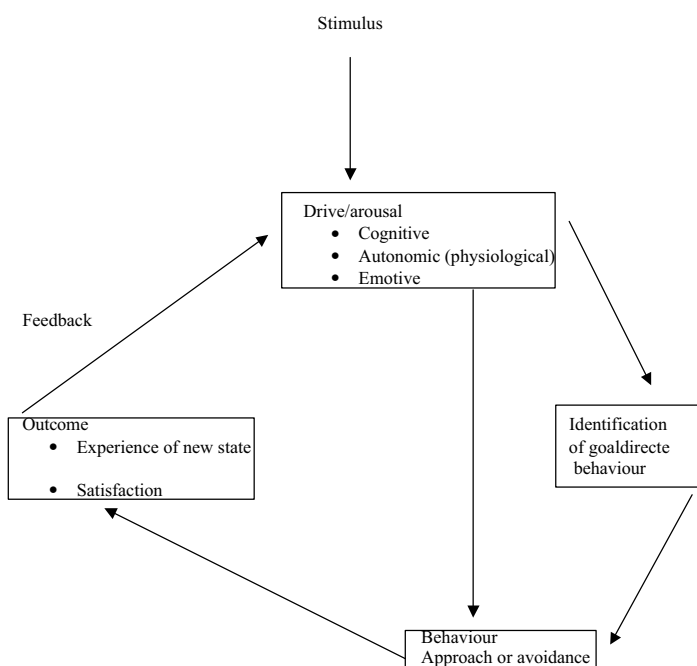
Fig 3.2 A model of the motivation process

Customer Moods

Moods are emotions felt less intensely and are short-lived.

- Marketing stimuli can induce positive or negative moods:
  - Ambience of store or service delivery facility
  - Demeanour of salesperson
  - Sensory features of the product
  - Tone and manner of advertising
  - Content of message from salesperson or ad.

Hedonic Consumption

- The use of products/services for intrinsic enjoyment rather than to solve a problem in the physical environment
- Hedonic consumption creates pleasure through the senses:
  - Sensory pleasure from a bubble bath
  - Aesthetic pleasure from an original work of art
  - Emotional experience from a scary movie
  - Fun and enjoyment from playing sport.

Pause for Thought # 1

How involved with the product are most prospective buyers in the target market segment? Involvement is used here in a more precise way than in everyday language and refers to the degree to which people regard the product as important and personally relevant. As indicated in the class, the more involved a person is with a product, the more likely they are to engage all the stages of the PDP and expend time and effort on making a choice. Conversely the less involved they are, the more likely it is that they will do less searching and less evaluation of alternatives. The implications of this are significant. If people will do only a small amount of searching for information you will have an advantage if you provide them with relevant information and make it available to them in an appropriate way and your competitors do not. For instance, it may be highly beneficial to offer inducements to salespeople in retail outlets to provide information about your brand if that information alone is largely all that is going to be used to decide which to purchase.

Alternatively one might try to influence the degree of involvement people have with a product. For instance the linkage between toothpaste and "cavity prevention" created through advertising and the advice of dentists is an attempt to increase the importance people attach to using toothpaste.

---

4. The Dynamic Nature of Motivation

WE can say that motivation is a highly dynamic concept, because it is constantly changing in reaction to life experiences. To put it in a more comprehensive manner we say that motivation has a dynamic nature because of the following reasons:

- Needs and goals are constantly changing
  - Needs are never fully satisfied
  - New needs emerge as old needs are satisfied

  - Success and failure influence goals
- Substitute goals
- Frustration
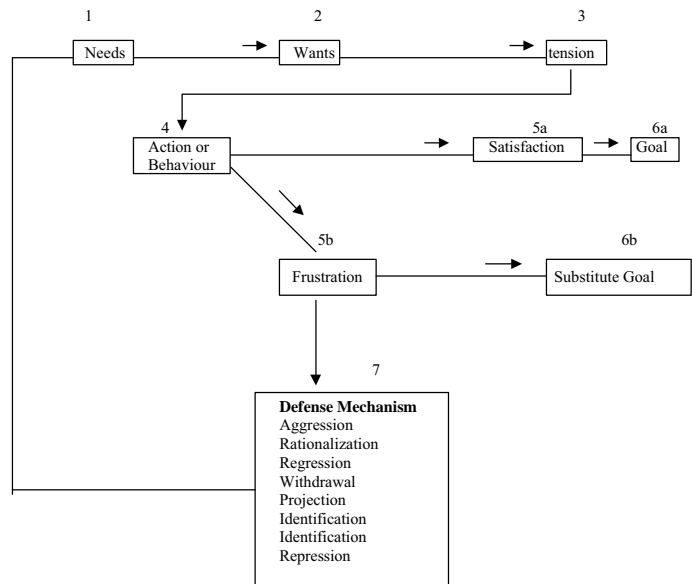
Fig 3.3 Needs –Satisfaction chain

  - Defense mechanisms (aggression, rationalization, regression, withdrawal, Projection. Autism, Identification

4. Involvement

Next we move on to the concept of Involvement and how it helps motivate consumers to take any decision.

But, what exactly is Involvement?

- A person's perceived relevance of an object based on inherent needs, values, and interests.
- The motivation to process information, or
- The degree of personal relevance of an object, product or service to an individual.
  - Enduring: the degree of interest on an ongoing basis
  - Situational: the interest in a specific situation/occasion

Deep Involvement

- Deep involvement is a customer's extreme interest in a product/service on an ongoing basis.

4.1 Types of Involvement

- **Product involvement:** When we are involved more with the product or service.
- **Advertising involvement:** When we are involved with the promotion message or specifically the advertisement of the product or service.
- **Purchase situation involvement:** IN this case we are involved mostly with the situation of the purchase rather than the product or service itself, or advertisement for that matter

Activity 1

Draw out five examples for each of the three types of involvement from your daily life.

_____

_____

_____

_____

_____

_____

_____

4.2 Conceptualizing Involvement

- **Person factors**
  - Antecedents – needs, importance, interest, and values
  - Involvement with – ads, products
  - Results
    - With ads – counter arguments, effectiveness of ads
    - With products – importance of product class, perceived differences in attributes, preference for particular brand.
- **Object or Stimulus factors**
  - Antecedents – differentiation of alternatives, source of communication, content of communication
  - Involvement with – ads, products
  - Results
    - With ads – counter arguments, effectiveness of ads
    - With products – importance of product class, perceived differences in attributes, preference for particular brand.
- **Situational factors**
- Antecedents – purchase/use, occasion
- Involvement with – ads, purchase decisions
- Results
  - With ads – counter arguments, effectiveness of ads
  - With purchase decision – influence of price on brand choice, amount of information search, time spent deliberating alternatives, type of decision rule used in choice.

4.3 Measuring Involvement

Let us take some examples from real life to understand how to make Involvement measurable. For instance, If you take the situation of buying a watch, how involved do you get? Can we measure it? Let us look at the following statements:

- When you choose a watch, it is not a big deal if you make a mistake.
- It is really annoying to purchase watches that are not suitable.
- If, after I bought a watch, my choice proves to be poor, I would be really upset.
- Whenever one buys a watch, one never really knows whether they are the ones that should have been bought.
- When I face a shelf of watches, I always feel a bit at a loss to make a choice.

Again, to quantify the measure we can use the various types of scale that we have studied before in chapter 2. For example, in measuring involvement for buying bread:

Measuring Involvement

To Me Sliced Bread Is:

1. Important___:___:___:___:___ unimportant
2. Boring___:___:___:___:___:___:___ interesting
3. Relevant___:___:___:___:___:___:___ irrelevant
4. Exciting:___:___:___:___:___:___ unexciting
5. Means nothing :___:___:___:___:means a lot to me
6. Appealing__:___:___:___:___ unappealing
7. Fascinating___:___:___:___:___:___ mundane
8. Worthless:___:___:___:___:___:___ valuable
9. Involving:___:___:___:___:___uninvolving
10 not needed___:___:___:___:___needed

Strategies to Increase Involvement

At the end, we can identify the following strategies to increase consumer involvement with your product/service; advertisements or purchase situation:

- Appeal to consumers' hedonic need
- Use novel stimuli
- Use prominent stimuli
- Include celebrity endorsers
- Build ongoing relationship with consumers

5. Values

What are values?

Values are basically ideals about what is desirable. Values are again of two basic types: Terminal values and instrumental values.

- **Terminal Values.**
  - End states desired by members of a culture (e.g., Happiness, wisdom)
- Instrumental values.
  - Goals endorsed because they are needed to achieve terminal values (e.g., Behaving honestly, accepting responsibility).

- **List of Values (LOV).**
  - Nine terminal values or goals for which we strive

I. Self-respect

II. Excitement

III. Being well respected

IV. Self-fulfillment

V. Sense of accomplishment

VI. Warm relationships with others

VII. Security

VIII. Fun and enjoyment with others

IX. Sense of belonging

5.1 Values and attributes

Laddering Process

Technique that traces linkages between a consumer's values and the product attributes

WE will understand the laddering process with the help of the following:

- Basic model
- Expanded model
- Example
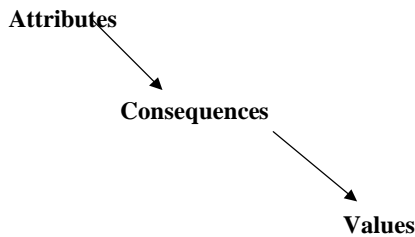
Fig 3.4 the basic model

The basic model above shows how attributes in a product lead to consequences and then finally to the values.

Let us now understand the means –end chain model in detail with the help of an example as shown in the PowerPoint slide.

Means - End Chain Model

If we take an example of a snacks named, Healthy Choice. Lets say the main attributes are Low fat, many flavors, and high quality. As a direct consequence of these attributes, we can say that low fat would lead to healthy; many flavours would mean a variety of choices; and high quality would mean great tasting. Now the question is to link these consequences to the end values. Say for instance, the consequence of health could lead to a value of self-respect and Wisdom; great tasting could lead to happiness or pleasure.

Now that we understand the means –end chain model let us look at the expanded version of the basic model.
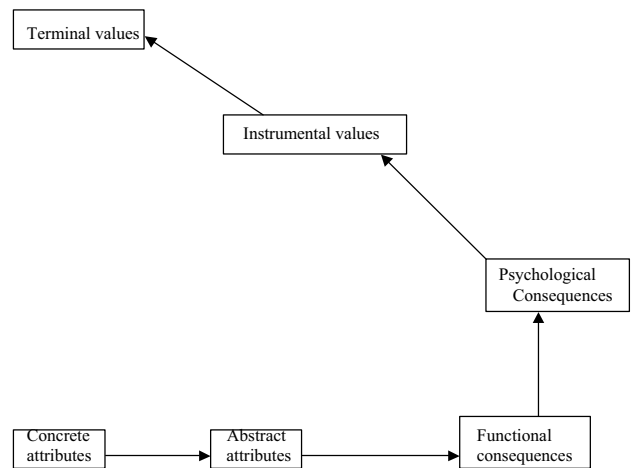
Fig 3.5 the expanded model
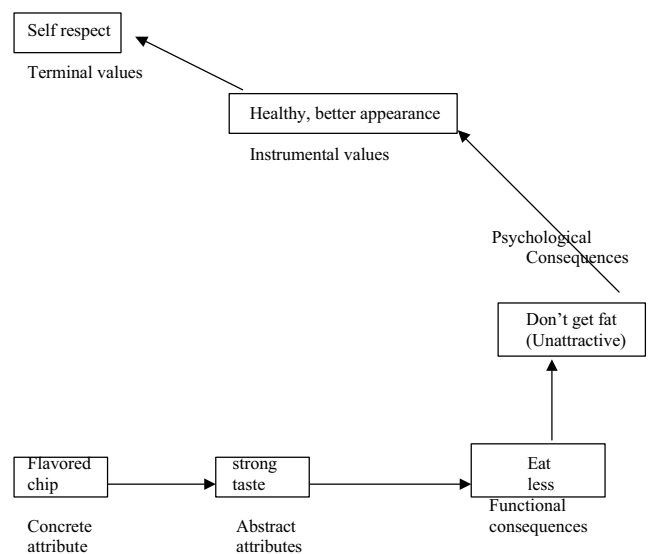
Fig 3.5 the expanded model

Now, what we will do is look at the example of flavoired chips as a snacks and try to put in the expnaded model. It may look something like this.
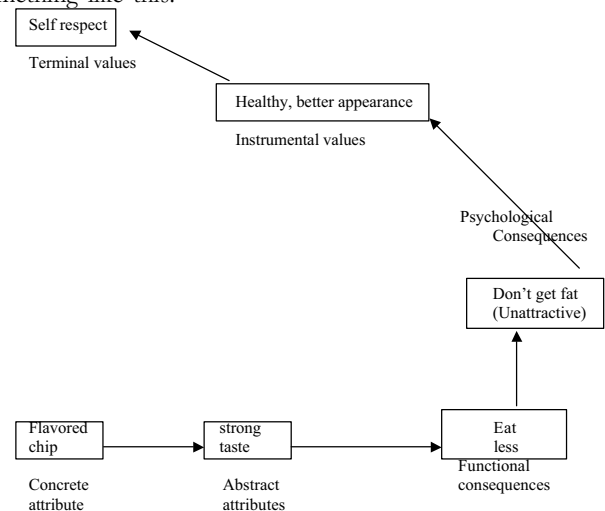
Fig 3.5 the expanded model

Thus we see how product attributes can be linked finally to instrumental and terminal values.

Attribution Applications

- Advertisement.
- You see an ad making strong product claims.
- You attribute it to the fact that the product is really good.
- It is only an ad and that the firm is exaggerating.
- Purchase situation.
- You are buying a product with lots of add-on features. The salesperson recommends a higher price model with added features.
- You attribute it to the fact that the salesperson wants you to have the best model.
- More commission for the salesperson.

Managerial Applications of Attribution Theory

At the end we summarise with the important managerial applications of the attribution theory. The major applications are to:

- Develop believable ads.
- esolve product problems.
- Assess sales promotions

Article #1

Taking a Brand Global

For a brand to be truly global, it has to address a fundamental consumer need, while consistently reflecting the same set of values across the world.

DEVELOPING a global brand largely depends on the brand's ability to explore fresh avenues and sustain its competitive advantages in terms of economies of scale and productivity. A global brand is one that is perceived to reflect the same set of values around the world and removes national barriers and linguistic blocks while being marketed internationally. The basics of brand building apply to global branding strategy also. For a brand to become successful, a genuine demand or a psychological need must exist in the target market.

Today, when we look at the global market, we need to realise that at the most basic level all human beings share common physiological and safety needs as explained by Abraham Maslow in his 'hierarchy of needs'. What separates one customer in one part of the world from another somewhere else are the complex social, cultural and esteem needs each of them has, depending upon the stage at which the civilisation/ nation is in the process of development. And despite centuries of technological development, these needs have remained as crucial as ever. At best they have undergone changes or modifications due to cultural and social processes.

The real challenges for a brand manager come when he has to make the consumer aware about the product/service offered using a distinctive pattern, perhaps with a name, logo or colour, so that the strategy enables the customer to correctly identify and choose the brand from a cluttered basket. The brand's strength is not confined to the degree of recognisability and the quality of the product offering. Strong global brands cater to strong emotional needs. A brand such as Nike talks about believing in one's limitlessness, while one such as Rin speaks about destroying dirt, which is presented as a threat that disrupts the neat orderly world that we live in.

A strong global brand while addressing a fundamental human motivation caters to this motivation in a distinctive way. It is driven by a distinctive brand idea, with the product being seen in the marketplace merely as an expression of the brand idea. The product merely translates the brand idea into a tangible form, with features and styles, which is delivered to the consumer. For example, the brand idea associated with Dettol is the complete protection it provides users from dirt and infection. The company has adopted this idea across the globe irrespective of the cultural domain it targets.

Consumers in all these countries experience the brand idea only through the strategic actions of the brand in the marketplace. These brands send market signals consistent with the idea they stand for. Starting from the tangible attribution of the brand through the product to the integrated marketing communication, the brand consistently sends the same signal in every market. The more consistent this marketing signal, the clearer the brand image across the country for global brands. Research suggests that strong brands are built over time. Trust in a brand gets built over a large number of interactions across a range of situations. So a strong global brand is like a network of complex psychological and market structural issues that include situations, associations, behaviours, feelings and symbols held together by a strong and powerful central idea.

A successful marketing strategy has two options in creating a market presence. It can kill competition by constant communication and advertising or use communication to make customers experience the brand and discriminate in its favour. A strong global brand creates associations in the consumers' mind to make them see differently by guiding consumers to attach distinct functional and emotional benefits and appropriate meanings and beliefs to the brand. As a response to this effort, the consumer is willing to pay a premium for these brands only if they represent added value whether as superior quality or a clear emotional benefit.

Britannia's connection to health is known the world over.

Brand communication should also communicate and connect to people. The links between Britannia and health are felt all over the world. This connectivity is the rational justification for people to overcome the extra spending required to acquire the brand. Successful brands live beyond generations due to this ability to connect. It is also not just a question of satisfying customers of different countries with varied cultural backgrounds, but also one of connecting with new generations of consumers with new sets of values, hopes and ambitions. For a brand to be successful globally, it has to click across the vertical class of generations and horizontal mass of global markets.

In a global economy, organisations must reach customers in markets far from their home base. Strong brands act as ambassadors when companies enter new markets or offer new products. They also help in rectifying the corporate strategy to define which initiatives fit within the brand concept. Professional services companies such as Andersen Consulting re-branded as Accenture have realised that conveying a sense of trust and shared mission is as important as technical competence in winning multi-million dollar contracts across the globe. Information and the media have made us all global citizens. This presents an organisation with the opportunity to broaden market scope by internationalising product and service marketing in order to reap the benefits of economies of scale.

Issues in Developing a Global Brand

There are various issues at the organisational level that influence the global branding strategy. There are two strategic parameters affecting decisions on global branding. They are the relative strength of globalisation pressure in that particular industry and the degree to which the company has internationally transferable assets.

If globalisation pressures are weak and the company's assets — including the brand — are not transferable, then the company need not go in for a global brand. It should concentrate on creating a higher brand value in the domestic market. If globalisation pressures are weak and the company has transferable assets, then it should look at extending these to a similar market using a global brand.

The home advantage due to a strong brand proposition can be used as a platform for building brands in selective markets. By this the company can reap added revenue and scale economies with valuable international marketing experience. This category of global brand extension goes in for looking at analogous international markets that are similar to the home market in terms of consumer preference, geographic proximity, cultural similarity or even government regulation. Bajaj Auto's extension to the South Asian market for its three-wheelers is an example of brand success in an analogous market. The success of Indian films with a typical emotional branding is another example of brand success.

Companies can look for countries with a common cultural and linguistic heritage. The success of Ramanand Sagar's serial *Ramayan* in the Asian market is another example. The story of Asian Paints in the Indian market has made it to go in for global branding in countries such as Nepal, Fiji and Korea with its typical low cost formulations and service delivery propositions to support the brand name 'Asian Paints'.

Companies from emerging markets can also go global and launch global brands. However, for having a global brand one has to take into consideration a different set of opportunities and constraints. The low cost of wages and proximity to raw materials also gives domestic companies a competitive advantage to go global. If these players can overcome the deficiencies in skills and financial resources, then launching a global brand will be a difficult proposition.

The success of Infosys and Wipro as brands in the global market are examples of global branding successes in the hi-tech industry. However, there are many complex factors that can affect a global marketing strategy. These include the nature of the product (for example, consumer durable products being

more suited to standardisation than non-durables), features of a particular market and even organisational history.

Common Approaches to Global Branding

The development of standardised marketing strategies can vary dramatically. For example, should the strategy be based on the common features of a transnational mass market or upon the identification of common clusters in different countries? The problem for a multinational organisation is that it operates in a number of countries and adjusts its products and practises in each at substantial cost. So, by standardising elements of the marketing mix through an international strategy, the argument is that efficiency can be greatly improved.

But question marks hover over the extent to which a uniform marketing strategy can be implemented. A great deal of diversity exists in geographical markets in terms of physical conditions and marketing infrastructure, not to mention political and cultural issues which may have an impact at the brand and advertising level. Cultural disparities can be a major stumbling block for the generation of transnational brand names. Initiatives such as the World Trade Organisation are obvious attempts to combat some of these problems by the removal of national differences and the creation of a borderless world. The idea is that this will enable the rationalisation of product mixes to eliminate brands geared towards particular local requirements.

Technology - A Catalyst to Product Standardisation

The development of the Internet and satellite television has paved the way for cross-boundary advertising and promotion. But management experts have also recognised that a basic similarity in tastes between countries is an important factor. Significant commonalities exist in Japanese, American and European lifestyle patterns and consumer demands. It is often argued that increasing travel and electronic communications will lead to the harmonisation of such tastes and preferences.

Various factors affect the extent to which companies adopt a uniform global branding approach. There are several types of transnational approaches that can be adopted. The 'geocentric' approach is of interest here as it may be viewed as being synonymous with the term 'global branding' — whereby a company attempts to identify similarities among markets and implement strategies with standard components. However, standardisation and globalisation are not necessarily synonymous, as companies may adopt global branding strategies that can contain within them varying degrees of adaptation to local conditions.

The standardisation of global branding will take account of two broad dimensions — the marketing process and the marketing mix. In terms of the marketing mix, the manner in which a brand is positioned can affect cross-border transferability. Price is also a key issue as it can reinforce the position and perception of a brand. Price can vary dramatically in different countries due to the competitive structure of the market and taxation. Therefore, substantial pricing differences can lead to different brand strategies being pursued. But brand identity and a clear, consistent message across countries can be asserted through standardised packaging.

Literature surveys carried out for this article examined the global fast-food industry. It was found that there was a variation in the branding strategies of the companies involved, despite the fact that many were striving to develop some degree of standardisation. This seems to indicate that the creation of a global strategy will meet considerable local obstacles. The transition of the Marathon brand to Snickers and Opal Fruits to Starburst may indicate that global branding tends to be developed incrementally. As we can see this leads to long established brands in one country being sacrificed in order to achieve harmonisation.

Points to Ponder

Dynamic nature of motivation

- Needs and goals are constantly changing

- Substitute goals

- Frustration

Involvement

• A person's perceived relevance of an object based on inherent needs, values, and interests.

Means - End Chain Model

Attributes	Consequences	Values
Low fat	Healthy	Self-respect
		Wisdom
Many flavors	Variety of choices	Freedom (of choice)
High quality	Great Tasting	Happiness, Pleasure
		Lack of self-control

Healthy Choice
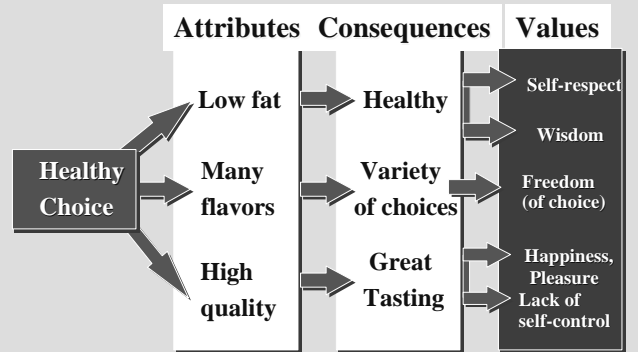
Types of Involvement

• Product involvement

• Advertising involvement

• Purchase situation involvement

LESSON 10:
TUTORIAL

You are a member of an advertising team assembled to develop a promotional campaign for a new digital camera. Develop three headlines for this campaign, each based on one of the levels in Maslow's need hierarchy.

Notes

LESSON 11:
CONSUMER PERCEPTION

Introduction

We all know that a motivated person is ready to act. How that person acts is influenced by his or her perception of the situation. In the same situation, two people with the same motivation may act quite differently based on how they perceive conditions. You may perceive the waiters at MacDonald's as casual and unsophisticated, while your friend may view them as spontaneous with cheerful personalities. MacDonald's is targeting those in the second group. Why do people have different perceptions of the same situation? All of us experience a stimulus by the flow of information through our five senses: sight, hearing, smell, touch, and taste. However, each of us receives, organizes and interprets this sensory information in an individual way.

Objectives

After studying this lesson you should be able to:

- Define perception and its key elements.
- Identify the various elements in perception
- Explain the perceptual process
- Understand and explain subliminal perception
- Differentiate between absolute threshold and differential threshold.
- Explain the marketing applications of just noticeable difference (j.n.d.).
- Review the concept of subliminal perception and the reality of its use.

1. Perception

What do you see??

Perception is the process of selecting, organizing and interpreting information inputs to produce meaning.

This means we chose what info we pay attention to, organize it and interpret it.

Information inputs are the sensations received through sight, taste, hearing, smell and touch.

Thus we can say that the above definition of perception of perception lays emphasis on certain features:

- Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it.
- Perception is basically a cognitive or thinking process and individual activities; emotions, feelings etc. are based on his or her perceptions of their surroundings or environment.
- Perception being an intellectual and cognitive process will be subjective in nature.

The key word in the definition of perception is individual.

We can say that it is the process by which an individual selects, organises and interprets information received from the environment

- **Sensation**–Attending to an object/event with one of five senses
- **Organisation–**Categorising by matching sensed stimulus with similar object in memory, e.g. colour
- **Interpretation–**Attaching meaning to stimulus, making judgements as to value and liking, e.g. bitter taste

One person might perceive a fast-talking salesperson as aggressive and insincere; another, as intelligent and helpful. People can emerge with different perceptions of the same object because of three perceptual processes: **selective attention, selective distortion and selective retention.**

- **Selective Attention**. People are exposed to a tremendous amount of daily stimuli: the average person may be exposed to over 1500 ads a day. A person cannot possibly attend to all of these; most stimuli will be screened out. Selective attention means that marketers have to work hard to attract consumers' notice. Select inputs to be exposed to our awareness. More likely if it is linked to an event, satisfies current needs, intensity of input changes (sharp price drop).
- **Selective Distortion**. Even notice stimuli do not always come across in the way the senders intended. Selective distortion is the tendency to twist information into personal meanings and interpret information in a way that will fit our preconceptions. Unfortunately, there is not much that marketers can do about selective distortion. Advertisers that use comparative advertisements (pitching one product against another), have to be very careful that consumers do not distort the facts and perceive that the advertisement was for the competitor. A current example...
- **Selective retention**. People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs. Because of selective retention, we are likely to remember good points mentioned about competing products. Selective retention explains why marketers use drama and repetition in sending messages to their target market. Remember inputs that support beliefs, forgets those that don't.
  Average supermarket shopper is exposed to 17,000 products in a shopping visit lasting 30 minutes-60% of purchases are unplanned. Exposed to 1,500 advertisements per day. Can't be expected to be aware of all these inputs, and certainly will not retain many.

3. Elements of Perception

WE can describe perception as also "how we see the world around us". Say for instance, you and your friend Smita may be

exposed to the same stimuli under the apparent conditions, but how both of you recognize, select, organize and interpret them is a highly individualized process based on each of your needs, values, and expectations. The influence that each of these variables have on the perceptual process and its relevance to marketing, will be explored in some detail. First, however, we will examoine some of the basic concepts that underlie the perception process.

Elements of Perception

Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package, and a brand name).

A *stimulus* is any unit of input to any of the senses.

Sensory receptors are the human organs (i.e., the eyes, ears, nose, mouth, and skin) that receive sensory inputs, sight, sound, smell, taste, or touch.

Human sensitivity refers to the experience of sensation.
Sensitivity to stimuli varies with the quality of an individual's sensory receptors and the amount or intensity of the stimuli to which he/she is exposed.

Sensation itself depends on energy change, the difference of input.
Thus, a constant environment, whether very busy and noisy or relatively quiet, would provide little sensation because of the lack of change, the consistent level of stimulation.

As sensory input *decreases*, the ability to detect changes *increases*.
This ability of the human organism to accommodate itself to varying levels of sensitivity as external conditions vary not only protects us from damaging, disruptive, or irrelevant bombardment when the input level is high but has important implications for marketers.

The Absolute Threshold

The lowest level at which an individual can experience a sensation is called the *absolute threshold*.

The point at which a person can detect the difference between "something" and "nothing" is that person's absolute threshold for the stimulus.

For example, you are going with your friend Ravi on a long drive and you are hungry. When both of you first spot a restaurant, it is said to be your absolute threshold. If both of you spot the restaurant at different times, you are said to have different absolute thresholds.

Under conditions of constant stimulation, such as driving through a "corridor" of hoardings absolute threshold increases (that is, the senses tend to become increasingly dulled).

Adaptation refers specifically to "getting used to" certain sensations, becoming accustomed to a certain level of stimulation.

a. **Sensory adaptation** is a problem that causes many advertisers to change their advertising campaigns regularly.

Marketers try to increase sensory input in order to cut through the daily clutter consumers experience in the consumption of advertising.

Some increase sensory input in an effort to cut through the advertising "clutter."

Other advertisers try to attract attention by decreasing sensory input.

b. Some advertisers use silence (the absence of music or other audio effects) to generate attention.

c. Some marketers seek unusual media in which to place their advertisements in an effort to gain attention.

d. Some use scent researchers to enhance their products with a unique smell.

Package designers try to determine consumers' absolute thresholds to make sure that their new product designs will stand out from competitors' packages on retailers' shelves.

Under conditions of constant stimulation. i.e., when an individual is getting continuous exposure to certain objects or events, then in spite of the absolute threshold increasing, due to the adoption process, the stimuli will cease to make a positive impression.

It is due to this sensory adoption problem that many television advertisers change their advertising campaigns after some time.

For example, the advertisement showing the evil crackle of the horned spokesperson Satan (Devil) of *Onida T.V* has been changed to a more humorous and synthetic announcement by an airhostess, by Ogilvy & Mather (O&M), the advertising agency handling this account.

The Differential Threshold

The minimal difference that can be detected between two stimuli is called the *difference threshold* or the *j.n.d. (just noticeable difference)*.

A 19th century German scientist named Ernst Weber discovered that the j.n.d. between two stimuli was not an absolute amount, but an amount relative to the intensity of the first stimulus.

Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different.

Also, an additional level of stimulus, equivalent to the j.n.d., must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus.

Weber's law holds for all senses and almost all levels of intensity.

Retailers use the principle in reducing prices.

Markdowns must amount to at least twenty percent to be noticed by shoppers.

Why would we future marketers need to study the concept of JND?

Marketing Applications of the J.N.D.

Let us look at the important applications of JND for marketers:

1. Manufacturers and marketers endeavor to determine the relevant j.n.d. for their products so that:

    a. Negative changes—reductions or increases in product size, or reduced quality—are not readily discernible to the public.

    b. So that product improvements are readily discernible to the consumer without being wastefully extravagant.

2. Marketers use the j.n.d. to determine the amount of change or updating they should make in their products to avoid losing the readily recognized aspects of their products

3. To better compete in a global marketplace that has been radically altered by computer technology, many companies are updating their corporate logos to convey the notion that they are timely and fast-paced and at the top of their respective product class.

    a. Many feature some element that conveys motion— streaking, slashing, and orbiting.

4. Although some companies make minor changes (below the j.n.d.) to promote continuity, others have deliberately changed their traditional block lettering and dark colors in favor of script typefaces, bright colors, and hints of animation—taking their cues from pop icons like MTV.

5. Marketers want to meet or exceed the consumers' differential threshold so that they readily perceive the improvements made in the original product.

Activity 1

1. When might a marketer want us to notice a change or difference (want the change to be above JND)?

_____

_____

_____

_____

_____

_____

_____

_____

_____

2. When might a marketer want us NOT to notice a change or difference (want the change to be just below JND)?

_____

_____

_____

_____

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_____

_____

_____

Subliminal Perception

People are also stimulated below their level of conscious awareness—they can perceive stimuli without being consciously aware of it.

The threshold for conscious awareness appears to be higher than the absolute threshold for effective perception.

Stimuli below the "limen" of conscious awareness, too weak or brief to be consciously seen or heard, may be strong enough to be perceived by one or more receptor cells.

This is *subliminal perception*.

In the late 1950s there was a stir when consumers were being exposed to subliminal advertising messages they were not aware of receiving.

Messages were supposedly persuading people to buy goods and services without their being aware of it.

The effectiveness of the concept was tested at a drive-in theater by flashing the words "eat popcorn" and "drink coke" on the screen during the movie, so quickly that the audience was not aware of it.

In a six-week test, popcorn sales increased 58 percent and coke sales 18 percent.

No scientific controls were used, and results were never replicated.

Evaluating the Effectiveness of Subliminal Persuasion

To study the effectiveness of subliminal perception, the following key issues are important:

There is no evidence that subliminal advertising works!

Current research is based on two approaches.

a.   The first theory is that constant repetition of very weak stimuli will have incremental effects.

b.   A second approach is based on sexual stimulation through sexual embeds.

There is some indication that subliminal advertising may help modify antisocial behavior by calling for generalized behavior change.

In summary, we can say that some evidence that subliminal stimuli may influence affective reactions, there is no evidence that subliminal stimulation can influence consumption motives or actions.

A recent review of the evidence on subliminal persuasion indicates that the only way for subliminal techniques to have a significant persuasive effect would be through long-term repeated exposure under a limited set of circumstances, which would not be economically feasible or practical within an advertising context.

2. The Nature and Process of Perception

2.1 Nature of Perception

Information processing is a series of activities by which stimuli are perceived, transformed into information and stored.
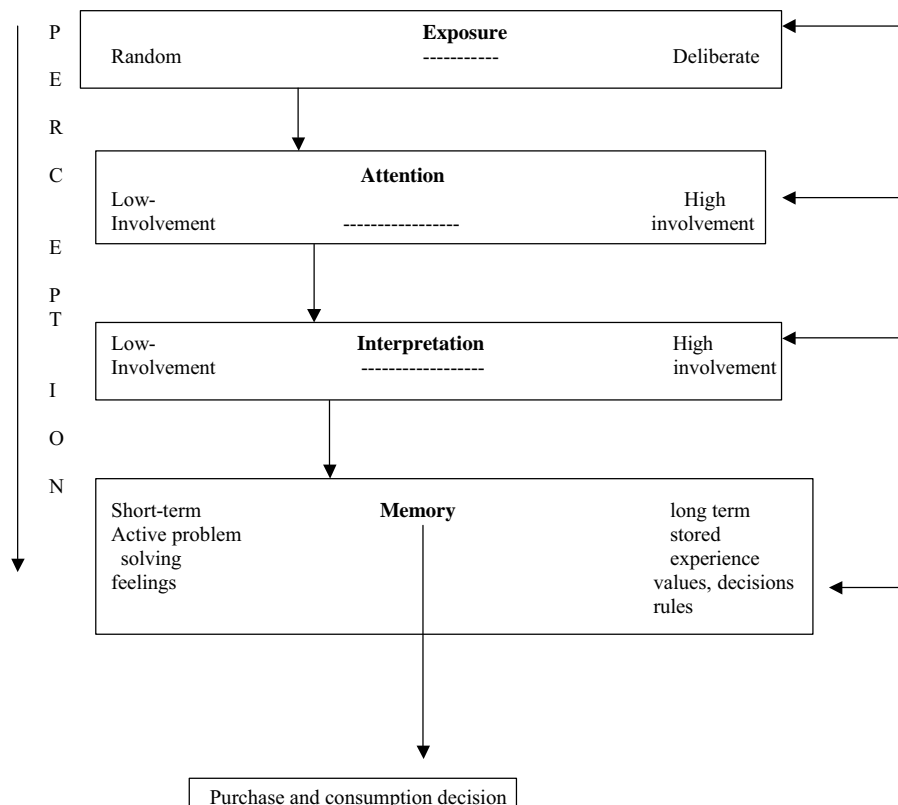
Fig 4.1 Information processing

As we see in figure 4.1 above, there are four major stages in this information-processing model, viz., exposure, attention, interpretation and memory. It is the first three, which constitute the perception process.

Exposure occurs when a stimulus such as an advertisement comes within range of a person's sensory receptor nerves-vision for example. Target customer is in proximity of message when delivered •e.g. watching *Friends* when ad aired.

Attention occurs when the receptor nerves pass the sensation on to the brain for processing. Target customer allocates cognitive processing capacity •i.e. pays attention to ad.

Interpretation is the assignment of meaning to the received sensations. Target customer interprets the message •i.e. 'message sent = message received'

Memory is the short-term use of the meaning for the immediate decision-making and the longer-term retention of the meaning. –Target customer stores the advertisement and message in memory so can be accessed when needed.

2.2 Process of Perception

There is normally a linear flow from exposure to memory.
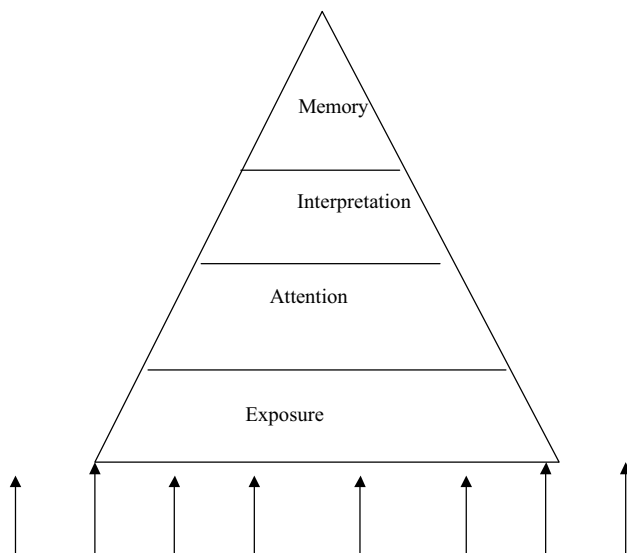
Stimuli

Fig 4.2 Perceptual process

As we can see in the perceptual process in figure 4.2 there is a linear flow from exposure to memory. But, these processes occur virtually simultaneously and are clearly interactive. It implies that our memory influences the information we are exposed to, attend to, and the interpretation we assign. At the same time, memory itself is being shaped by the information it is receiving. Much of the interpreted information will not be available to active memory when the individual needs to make a purchase decision.

Thus, we see that consumer perception an be approached from three vantage points

A. Sensory modalities: The effects of the five senses on the way in which products are perceived.

B. Gestalt psychology: Gestalt psychology looks at how consumers perceive information within and as part of the context in which it is presented. Gestalt theory is particularly useful in making decisions related to advertising and packaging.

C. Consumer interpretation

The perceptual process consists of many sub processes. We can understand this by taking a note of the input-throughput – output approach. This approach is based on the fact that there is an input, which when processed gives outputs. That is, the perceptual inputs will comprise of stimuli in the environment.
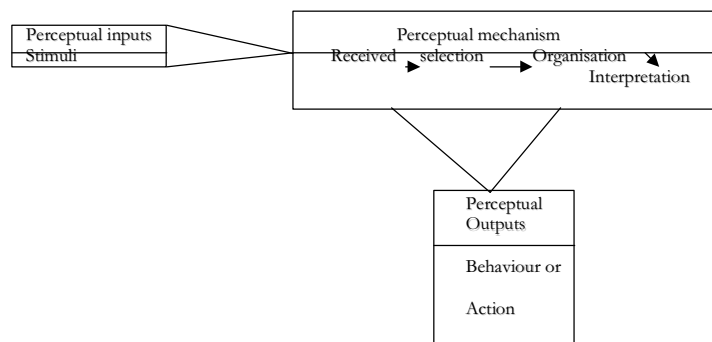
Fig 4.3 the perceptual process

Perceptual Inputs: The first process in the perceptual process is the presence of stimuli like people, objects, events, information etc.

Perceptual mechanism: We will discuss the mechanism of perception in the next lesson.

Perceptual outputs: The perceptual outputs will be the behaviour or actions of the individuals, i.e., the resultant opinions, feelings attitudes etc.

Biases in the Perceptual Process

* Selective exposure
    * Customers only allow exposure to a small number of the 3000 daily marketing communications
    * e.g. 'zipping' and 'zapping' TV commercials.
* Selective attention
    * Customers ignore ads that do not relate to their interests
* e.g. flipping past magazine ads.
* Selective interpretation
    * Customers use perceptual distortion to make information more congruent with existing beliefs
* e.g. smoker versus non-smoker interpretations of warnings on cigarette packs.

The three Customer Roles

Perception Process	User	Payer	Buyer
General process	Usage experience biased by prior expectations based on brand name, price etc.	The price-value perception depends on brand name and store contexts.	Perceptions of alternative brands biased by price, brand name, store, etc. Store distance perceptions are often biased.
Just noticeable difference (JND)	'New and improved' products must cross the JND barrier.	Price variations below JND are not noticed.	Package size reductions below JND are not noticed.
Assimilation and contrast	Distance to destinations, wait in service settings, etc. are assimilated or contrasted.	Price discrepancies from expected levels may be assimilated (acceptable) or contrasted (not acceptable).	Store distances and customer service variations may be assimilated or contrasted.

Fig 4.4 The perceptual learning process among the customer roles

Managerial uses of perceptual processes

- The psychophysics of price perceptions
  - Reference price: the price customers expect to pay
- External reference price: price used by marketers to anchor a price advantage
- E.g. 'compare to Rs X'
  - Assimilation and contrast: customers have latitude of acceptance and rejection when it comes to prices
- E.g. odd pricing: Rs.9.99 is less than Rs.10.
  - Price often used as a surrogate for quality, especially when quality cannot be assessed pre-purchase.
- Country-of-origin effects
  - Bias in customer perceptions of products and services due to the country in which product/ service is made
  - Can be positive or negative
- Perceived corporate image
  - Public perception of company as a whole
  - Can be positive or negative

Key Terms

- Sensation
- Organisation
- Interpretation
- Selective attention
- Selective distortion
- Selective retention
- Exposure
- Attention
- Memory
- Perceptual Inputs
- Perceptual mechanism
- Perceptual outputs
- Zipping
- Zapping
- Flipping
- Absolute threshold
- Differential threshold
- Weber's Law
- JND
- Subliminal perception
- Price perceptions
- Reference price
- External reference price
- Odd-Even pricing
- Country-of-origin effects
- Perceived corporate image

Article 1

The Power of Managing Value

The manner in which the consumer perceives value, the association between the benefits and the price paid, makes it 'high' or 'low'.

Nirma, a Brand strongly associated with value perceptions

IN today's competitive context, it may be worthwhile to analyse the various implications of value to both the marketer and the consumer. Today Acura and Lexus may be luxury-oriented Japanese brands but historical analysis shows that the Japanese, with their inventive imitation, have been very sensitive to the value offered by the brands, whether it was Sony, Akai, National or Sanyo across a range of product categories - electronic goods to cosmetics.

Wal-Mart, South West Airlines in the US and Aldi, the retailer chain in Europe are examples of how brands could succeed in an environment which uses value blended with psychological techniques and tools. Nirma, T-Series and Bajaj are names which evoke the value imagery in the respective product category.

There are certain basic aspects which should be clear to marketers about the concept of value. In fact, the power of this concept lies in the fact that it could throw open a number of segments. Marketers could target the right segment/s depending on what the organisation is capable of in term of product/service offerings.

What is value?

Contrary to the popular perception that value means low price, value includes a set of features, product benefits, services and psychological benefits offered by a marketer in response to the sacrifice made by the consumer in terms of paying a price. Value, therefore, represents the overall association between the set of benefits received by the consumer and the price paid by him/her. The manner in which it is perceived determines if the value is 'high' or 'low'.

The point is that different segments would require a different combination of value. A consumer buying a PC from the retailer is different from a consumer buying a PC as a replacement directly online from Dell. The value as perceived by a lower-end consumer when he buys a watch from the unorganised sector (assembled) is different from a consumer wanting to buy the Nebula jewellery watch from Titan. The former would normally look at the functional utility, price and to some extent the aesthetic design of the watch. The latter at the retail store experience, the degree to which the brand serves his self-expression needs, the credibility of the retail outlet and the after sales service which would be available after the sale is over when he perceives 'value'.

A different kind of psychological benefit in the form of value could be perceived when perceived risk is involved. A consumer shopping for a ready-made home may perhaps find psychological security in choosing a brand with a great reputation for being trusted. This consumer has paid more for obtaining the value of "security and risk avoidance".

Choosing a Value Proposition

Category assessment needs to be done before a marketer can choose a value proposition. This is not only because of the difference in categories but also because as competition evolves, the value proposition could also undergo a change. The choice of value depends on the category as well as whether it is high-involvement or low-involvement or commodity type of product. There could be low-involvement products which may sell because of imagery associations such as cola or soaps (dealt with later in this article).

Commodity type of products are tyres, components, antiseptic cleaning lotions, notebooks or products where consumers buy more out of inertia than any involved purchase. Technological advances can provide value to such products and create a preference for them among consumers. Bandag is a retreading company in the West which uses an electronic chip in the tyre to inform the consumer about the wear and tear which would enable him to get prepared for the next retread. A technologically advanced packaging of frozen vegetables adds value to the commodity type of offering. Choosing a value depends on two basic factors:

a. Perception of value in the mind of the consumer

b. Evolving market structure with regard to the category

Perception of value: In any category a consumer is familiar with, consideration should be given to what the consumer perceives as value (as stated earlier). This may even extend beyond the attributes of the brand - for example, sachets bought over a period of time may even be expensive than a large packaging of a tube of fairness cream but the consumer may perhaps perceive value with regard to the control it gives him/her over the usage of the product given the affordability levels. Similarly, sheer affordability of a particular SKU (stock keeping unit) may

provide value to a segment of consumers - brands such as Hamam are available in small packs in rural areas.

Price also sends a signal towards value perception (value meaning quality in this context). An exclusive showroom in the apparel category like the upmarket Park Avenue or Levi's provides the perception of high quality. In certain cases, this may even discourage consumers from visiting the showroom as they feel that the offering is expensive. This segment, while perceiving high quality with the associated offering, is unable to perceive value because of the price. One more approach is to highlight the price in the advertisements so that the consumer does not think that the price is not as high as he had perceived it to be. This brings the consumer closer to the acceptance of value (even if a cross-section of the consumers get convinced because of this approach, these advertisements are beneficial). Levi's and Tanishq have adopted this approach.

A precaution the marketer should take is that this would be counter-productive if the major part of the segment is at the higher end of the market. At times consumers may perceive a value with regard to component or part used in the product. Puf used in Godrej brand of refrigerators became a major selling point in the past (though it was not the first brand to use it).

Herbal offerings may be perceived as products which are very safe (which may not be the case in several categories). A brand of shampoo containing a chemical may have to convince consumers about the safety of the brand as consumers may perceive damage to hair because of chemicals involved.

Sometimes offerings may create confusion if the brand does not clearly communicate the offering and its benefits. Ice-creams and yoghurt have had this problem in the Indian context.

Brand names could create a negative impact on the perception of consumers after being successful. Titan was associated with elitist orientation and the company had to come out with Sonata for the lower end of the market, which contributes significantly to the volume of the company).

Price-benefit linkages should be clear in the mind of the consumer, especially when a new concept product is introduced. Reva was an electric car introduced last year and reports indicate that a major part of the sale was towards the 'second' car category.

Peter England, the shirt brand which an 'honest' proposition to 'a lifestyle'one

The first frame of reference for the consumer is the perception of the offer's pricing of the offering. If this is priced on par or slightly lower than the entry-level car in the Indian context (the 'no frill' Maruti), it would probably take away the offering from the 'consideration set' of the first-time car buyer simply because of two reasons - it is not a tried and tested offering, and besides, it does not offer the space of the regular car without the perceived risks associated with the purchase.

Running costs (assuming trouble-free running based on technical progress) or the much 'hyped' environment-friendly nature of the product are unlikely to influence the perception of the buyer. This is because of the context in which the offering is introduced - buying "green" products is a societal value and this context has a long way to go before it can be a criteria for making it a prerequisite to buying a durable. Procter and Gamble had to change over to environment-friendly packaging in Germany because of consumer resistance to anything that is not environment-friendly. Perception is largely dependent on the context in which products or services are introduced. Besides the core aspects mentioned for an electric car, there are also secondary perceptions which are involved in the purchase situation - would an electric car be as durable as the conventional one? What if the manufacturer, especially the pioneer, discontinues the offering (this is less likely to happen to a traditional brand of passenger car and even if this happens, it happens over a period of time). Then there are intangibles like whether an electric car would generate as much reference group appeal as that of a traditional one which is an accepted status symbol.

Impact of evolving market structure: The perception of value in the mind of the consumer evolves over a period of time with competition. This is one of the strong reasons for marketers to introduce brand personality whenever possible. The idea is to bring in differentiation through the inclusion of emotional value which would appeal to consumers faced with a choice of several brands which are equally acceptable.

In the category of motorcycles, it was initially the speed, pick-up and style that mattered. Later, the preference shifted to the brand's personality. This happened despite the fact that Hero Honda literally created a revolution by introducing its bikes which gave double the mileage of any competing brand at the time of introduction. The success of Caliber has its underpinnings on such change of perception on what matters to consumers at a specific point in time in an environment which is driven by change.

Peter England, with the "honest proposition" of delivering value at a reasonable price, went on to create a niche for itself in the history of readymade wear. The timing of the brand with the proposition, and more importantly, the latter's delivery, was most appropriate if one considers the market structure which existed at the time when the brand was launched. There were higher-end brands firmly entrenched, there were a few brands which were in the middle price segment and there were regional offerings. Peter England advertised the core attributes with regard to value and backed it up with the right price (enhancing price-benefit linkage in the mind of the consumer in a given

market structure. After being successful the brand is attempting to provide lifestyle value through its present TV spots.

Customer value is a complex term and marketers would do well to research, probe, understand and interrupt it based on the category, context and changes which occur in consumer behaviour and competitive offerings.

Article 2

Branding, The Visual Appeal Way

The consumer has very little time to read the text of advertisements, which have ceased to seem credible. This has led to a trend where the visual emerges as a glorious alternative.

THE brand is in the visual!

Note the trend that is new. Note the trend that is re-inventing itself once again. Large format visuals that stare back at you from the full page ad in the newspaper to the full-bleed solus-locale hoarding. To the full flush visual that stares at you from the double-decker bus that is trying hard to establish itself as a medium of significance.

The visual is back with a vengeance. Full-bleed, full flush and full-impact!

Watch that campaign from the cellphone major, Orange, in Mumbai. Two numbers on one phone! The campaign is smack in your face with visuals of twins of all kinds. Young, old and somewhere in between those age poles as well!

Highly arresting visuals that look into you as you drive by. Visuals that strike you for their simplicity, but visuals that stay with you as messaging and content that transcend the written word and its limitations!

Look around in the market and watch India re-discover the power of the visual once again in its branding exercise.

Branding is the mother science. The brand is a name, an identity, a sound, a visual, an experience, and indeed an intangible that impacts your every sense to create a craving and a recall.

Branding is all about visual appeal, aural appeal, sensual appeal, taste appeal and indeed about the umbrella 'experience appeal' as well! The brand is therefore a sub-set of these individual appeals that hard-sweating brand managers create for their offering of *paan masala* or panty hose alike.

At different points of time, in tandem with what technology has to offer, brands use the power of the specific sub-set appeal that will make their offerings gallop into the hearts and minds of consumers. The brand manager of today with a great dollop of help from his creative agency of choice has discovered the power of the visual.

The visual that shouts. The visual that speaks. The visual that can launch a thousand forays into the home and hearth and wallet of the consumer in the great Indian marketplace.

The times are tough. There is very little time left in the life of the consumer to stand and stare. Very little time to go through the fine print of body copy. Very little time and very little inclination as well! The consumer in the Indian marketplace is already a seasoned veteran of advertising shout and brand claim.

The words don't matter to the consumer as much any more. In any case, the written word that accompanies a brand is mis-trusted enough to be part of selling copy-lore. Stuff that is dished out to sound nice, but stuff that is not necessarily bright in its offering of the credible. Advertising with the claim and branding accompanied by the overt shout of the written word is pretty much getting into the terrain of consumer distrust. We have gone just a bit overboard on this.

In the beginning was the word. The credible word. The written word. And then there were too many propositions competing for the same space. Competing options kept pushing at the limits of the credible. Credible propositions and claims led to the creative ones that were more creative and less credible. Very few brands managed to bridge the gap. As the word got heavy and less credible, the consumer decided to switch off. Or take it with a pinch of salt, at times with a shovel of salt as well!

As the written word becomes part of fine print, which a small percentage of consumers still read, brand managers and their creative cousins in the realm of advertising need to go scurrying to find other pegs to hang their brand stories on. The visual, the aural and the experiential are efficient coat-hangers to explore.

The advertising of the day has discovered the appeal of the visual. The visual is so uncomplicated. It has been there all the while, but cluttered with copy. Copy of every percentage fighting with visual appeal of a significant percentage as well.

The brand manager of the day has arbitrated well. The duo of Brand Manager and Creative Chief alike have started using the appeal of the dominant visual well enough. Hear the breaking news from Cannes as well! The O&M anti-smoking campaign which shows a Marlboro man with a dead Marlboro horse (remember, the horse is as branded as the man) is as striking a visual as any can get. A visual that can't be replaced with the crispest of copy.

What's more, visual appeal of this kind or any can be under-stood by consumers who speak any language. Let's remember, visual appeal is the most secular of them all languages.

And there's more! Visual appeal is understood by the consumer and processed all on his own. As this processing goes on in those nanoseconds of the consumer perception process, there is the joy of self-processing here, which copy-rich branding doesn't help provide!

There's more on this ... but let me leave that for you to process on your own. There is a greater joy in that, than reading stuff that is already distilled! Touché!

Perception	•The process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world •How we see the world around us

Sensation	The immediate and direct response of the sensory organs to stimuli. A perfectly unchanging environment provides little to no sensation at all!

Elements of Perception

- Sensation
- Absolute threshold
- Differential threshold
- Subliminal perception

LESSON 12:
DYNAMICS OF PERCEPTION

Introduction

In the earlier lesson we have learnt how we as individuals receive sensations from stimuli in the outside environment and how the human organism adapts to the level and intensity of sensory input. In this lesson we come to one of the major principles of perception, i., the interpretation and organisation of inputs.

Objectives

After studying this lesson you should be able to

- Discuss the dynamics of perception in terms of its three main aspects—selection, organization, and interpretation.

- Discuss the various forms of selective perception.

- Explain the concept of Gestalt psychology.

- Discuss the various forms of perceptual distortion.

- Understand the implications of consumer imagery by positioning and repositioning products.

- Understand the positioning of services.

- Explain the impact of price on consumer perception of products, service, and quality.

- Discuss the terms *retail store image* and *manufacturer's image.*

- Describe consumers' perception of risk and key risk reduction strategies.

Dynamics of Perception

We are constantly bombarded with stimuli during every minute and every hour of our life.

Perception is not a function of sensory input alone, rather, perception is the result of two different kinds of inputs that interact to form the personal pictures—the perceptions—that each individual experiences.

a. Physical stimuli from the outside environment, and internal stimuli based on expectations, motives, and learning are based on *previous experiences.*

Because each person is a unique individual, with unique experiences, needs, wants, desires, and expectations, it follows that each individual's perceptions are also unique.

There are three aspects to perception—**selection**, **organization**, and **interpretation of stimuli**.

b. Individuals are very selective as to which stimuli they "recognize."

c. They subconsciously organize the stimuli they do recognize according to widely held psychological principles.

d. And they interpret such stimuli (i.e., they give meaning to them) subjectively in accordance with their needs, expectations, and experiences.

Perceptual Selection

We as consumers subconsciously exercise selectivity as to the stimuli they perceive.

Which stimuli get selected depends on two major factors in addition to the nature of the stimulus itself:

a. Consumers' *previous experience* as it affects their expectations.

b. Their *motives* at the time (their needs, desires, interests, and so on).

Each of these factors can serve to increase or decrease the probability that a stimulus will be perceived.

The Nature of the Stimulus

Marketing stimulus contains an enormous number of variables. Examples include:

a. Nature of the product.

b. Its physical attributes.

c. The package design.

d. The brand name.

e. The advertisements and commercials.

f. The position of a print ad or commercial.

g. The editorial environment.

Contrast is one of the most attention-compelling attributes of a stimulus.

h. Advertisers use extreme attention-getting devices to get maximum contrast and penetrate the consumer's perceptual screen.

i. Advertisers use color contrasts, size, etc., to create stopping power and gain attention.

Packaging is also differentiated sufficiently to ensure rapid consumer perception.

Sometimes advertisers capitalize on the lack of contrast.

A technique that has been used effectively in TV commercials is to position the commercial so close to the storyline of a program that viewers are unaware they are watching an ad until they are well into it.

Advertisers are also running print ads (called **advertorials**) that closely resemble editorial material, making it increasingly difficult for readers to tell them apart.

Advertisers are producing 30-minute commercials (called **infomercials**) that appear to the average viewer as documentaries.

Expectations

People see what they expect to see.

What they expect to see is usually based on familiarity, previous experience, or preconditioned set **expectations.**

Stimuli that conflict sharply with expectations often receive more attention than those that conform to expectations.

For years, certain advertisers have used blatant sexuality in advertisements for products to which sex was not relevant in the belief that such advertisements would attract a high degree of attention.

Ads with irrelevant sexuality often defeat the marketer's objectives, because readers tend to remember the sexual aspects of the ad, not the product or brand advertised.

Motives

People tend to perceive things they need or want.

a.   The stronger the need, the greater the tendency to ignore unrelated stimuli in the environment.

An individual's perceptual process attunes itself more closely to those elements of the environment that are important to that person.

Marketing managers recognize the efficiency of targeting their products to the perceived needs of consumers.

Selective Perception

The consumer's "selection" of stimuli *(selective perception)* from the environment is based on the interaction of expectations and motives with the stimulus itself.

Selective exposure—consumers actively seek out messages they find pleasant or with which they are sympathetic.

a.   Consumers actively avoid painful or threatening messages.

   Selective attention—consumers have a heightened awareness of the stimuli that meet their needs or interests.

b.   Consumers have a lower awareness of stimuli irrelevant to their needs.

c.   People vary in terms of the kind of information in which they are interested and the form of message and type of medium they prefer.

Perceptual defense—threatening or otherwise damaging stimuli are less likely to be perceived than are neutral stimuli. Individuals unconsciously may distort information that is not consistent with their needs, values, and beliefs.

Perceptual blocking—consumers screen out enormous amounts of advertising by simply "tuning out."

Perceptual Organization

People do not experience the numerous stimuli they select from the environment as separate and discrete sensations.

People tend to organize stimuli into groups and perceive them as unified wholes.

Gestalt psychology (Gestalt, in German, means pattern or configuration) is the name of the school of psychology that first developed the basic principles of perceptual organization.

Three of the most basic principles of perceptual organization are *figure and ground*, *grouping*, and *closure*.

Figure and Ground

Stimuli that contrast with their environment are more likely to be noticed.

The simplest example is the contrast between a ***figure and the ground*** on which it is placed.

The figure is usually perceived clearly.

The ground is usually perceived as indefinite, hazy, and continuous.

The figure is more clearly perceived because it appears to be dominant—the ground appears to be subordinate and less important.

Advertisers have to plan their advertisements carefully to make sure that the stimulus they want noted is seen as figure and not as ground.

Marketers sometimes run advertisements that confuse the consumer because there is no clear indication of which is figure and which is ground.

Grouping

Individuals tend to group stimuli in "chunks" rather than as discrete bits of information.

Grouping can be used advantageously by marketers to imply certain desired meanings in connection with their products.

Closure

Individuals have a need for ***closure***.

a.   As a result, people organize a perception so they see a complete picture.

b.   If the pattern of stimuli to which they are exposed is incomplete, they tend to perceive it as complete—they fill in the missing pieces.

The very act of completion serves to involve the consumer more deeply in the message.

Perceptual Interpretation

The interpretation of stimuli is uniquely individual because it is based on what individuals expect to see in light of their previous experience.

Stimuli are often highly ambiguous.

a.   When stimuli are highly ambiguous, individuals usually interpret them in such a way that they serve to fulfill personal needs, wishes, and interests.

How close a person's interpretations are to reality depends on the clarity of the stimulus, the past experiences of the perceiver, and his or her motives and interests at the time of perception.

Perceptual Distortion

With respect to ***perceptual distortion***, individuals are subject to a number of influences that tend to distort their perceptions.

Physical Appearances—people tend to attribute the qualities they associate with certain people to others who may resemble them.

a.   Attractive models are more persuasive and have a more positive influence on consumer attitudes and behavior than do average-looking models.

Stereotypes—individuals tend to carry "pictures" in their minds of the meaning of various kinds of stimuli.

First Impressions—these tend to be lasting but formed while the perceiver does not know which stimuli are relevant, important, or predictive.

Jumping to Conclusions—many people tend to jump to conclusions before examining all the relevant evidence—hearing the beginning of an ad and drawing the incorrect conclusion.

Halo Effect—describes situations where the evaluation of a single object or person on a multitude of dimensions is based on the evaluation of just one or a few dimensions.

b. Consumers often evaluate an entire product line on the basis of the one product within the product line.

c. Licensing also is based on the halo effect—associating products with a well-known celebrity or designer name.

Activity 1

Select a restaurant where you have recently eaten. Analyze the atmosphere and physical environment of this service establishment. What image does the environment convey? Should the owner change anything to make the environment more appealing to customers? Explain.

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Consumer Imagery

Consumers attempt to preserve or enhance their self-images by buying products they believe agree with that self-image and avoiding products that do not agree. This is called **consumer imagery**.

Consumers tend to shop in stores that have images that agree with their own self-images.

Product Positioning

Positioning strategy **(product positioning)** is the essence of the marketing mix.

a. Positioning conveys the concept or meaning of the product or service, in terms of how it fulfills a consumer need.

b. The marketer must create a distinctive product image in the mind of the consumer.

How a product is positioned in the mind of the consumer is more important to the product's success than are the product's actual characteristics.

Marketers try to differentiate their products by stressing attributes they claim will fulfill the consumer's needs better than competing brands.

The result of a successful positioning strategy is a distinctive brand image on which consumers rely to make choices.

A positive brand image is associated with consumer loyalty, consumer beliefs about positive brand value, and a willingness to search for the brand.

A positive brand image also serves to promote consumer interest in future brand promotions, and inoculates against competitors' marketing activities.

Major positioning strategies include:

Umbrella positioning—creating an overall image of the company around which a lot of products can be featured individually.

Positioning against the competition.

Positioning based on a specific benefit—effective depictions of a core **product benefit** often include memorable imagery.

Finding an "unowned" position—finding a niche unfilled by other companies.

Filling several positions—because unfilled gaps or "unowned" perceptual positions present opportunities for competitors, sophisticated marketers create several distinct offerings, often in the form of different brands, to fill several identified niches.

Product Repositioning

Regardless of how well positioned a product appears to be the marketer may be forced to reposition **(product repositioning)** it in response to market events, such as a competitor cutting into the brand's market share.

Rather than trying to meet the lower prices of high-quality private label competition, some premium brand marketers have repositioned their brands to justify their higher prices, playing up brand attributes that had previously been ignored.

Another reason to reposition a product or service is to satisfy changing consumer preferences.

Perceptual Mapping

Perceptual mapping allows marketers to determine how their products appear to consumers in relation to competitive brands on one or more relevant characteristics.

Perceptual mapping enables the marketer to see gaps in the positioning of all brands in the product class and to identify areas in which consumer needs are not being adequately met.

Positioning of Services

Compared with manufacturing firms, service marketers face several unique problems in positioning and promoting their offerings.

Services are intangible, image becomes a key factor in differentiating a service from its competition.

The marketing objective is to enable the consumer to link a specific image with a specific brand name.

Many service marketers have developed strategies to provide customers with visual images and tangible reminders of their service offerings.

Examples would include painted delivery vehicles, restaurant matchbooks, packaged hotel soaps and shampoos, and a variety of other specialty items.

Sometimes companies market several versions of their service to different market segments by using a differentiated positioning strategy.

The design of the service environment is an important aspect of service positioning strategy and sharply influences consumer impressions and consumer and employee behavior.

The physical environment is particularly important in creating a favorable impression for such services as banks, retail stores, and professional offices, because there are so few objective criteria by which consumers can judge the quality of the services they receive.

The service environment conveys the image of the service provider with whom the service is so closely linked.

One study of service environments identified five environmental variables most important to bank customers.

a. Privacy—both visually and verbally, with enclosed offices, transaction privacy, etc.

b. Efficiency/convenience—transaction areas that are easy to find, directional signs, etc.

c. Ambient background conditions—temperature, lighting, noise, and music.

d. Social conditions—the physical appearance of other people in the bank environment, such as bank customers and bank personnel.

e. Aesthetics—e.g., color, style, use of materials, and artwork.

Perceived Price

How a consumer perceives a price *(perceived price)*—as high, as low, as fair—has a strong influence on both purchase intentions and purchase satisfaction.

Perception of price fairness—customers pay attention to the prices paid by other customers (e.g., senior citizens, frequent fliers, affinity club members).

a) Customers perceive differential pricing strategies used by some marketers as unfair to those not eligible for the special prices.

b) Perceptions of price unfairness affect consumers' perceptions of product value, and ultimately, their willingness to patronize a store or a service.

Reference Prices

What is a reference price?

A *reference price* is any price that a consumer uses as a basis for comparison in judging another price.

Reference prices can be external or internal.

An advertiser generally uses a higher *external reference price* ("sold elsewhere at...") in an ad in which a lower sales price is being offered, to persuade the consumer that the product advertised is a really good buy.

Internal reference prices are those prices (or price ranges) retrieved by the consumer from memory.

Internal reference points are thought to play a major role in consumers' evaluations and perceptions of value of an advertised (i.e., external) price deal, as well as in the believability of any advertised reference price.

Acquisition-transaction utility theory—acquisition utility represents the perceived economic gain or loss associated with a purchase, and is a function of product utility and purchase price.

a) **Transaction utility** concerns the perceived pleasure or displeasure associated with the financial aspect of the purchase and is determined by the difference between the internal reference price and the purchase price.

   Several studies have investigated the effects on consumer price perceptions of three types of advertised reference prices: plausible low, plausible high, and implausible high.

b) **Plausible low prices** are well within the range of acceptable market prices.

c) **Plausible high** is near the outer limits of the range but not beyond the realm of believability.

d) **Implausible high** is well above the consumer's perceived range of acceptable market prices.

As long as an advertised reference price is within a given consumer's acceptable price range, it is considered plausible and is assimilated.

e) If the advertised reference point is outside the range of acceptable prices (i.e., implausible), it will be *contrasted* and thus will not be perceived as a valid reference point.

Tensile and Objective Price Claims

The semantic cues (i.e., specific wording) of the phrase used to communicate the price-related information may affect consumers' price perceptions.

Acquisition-transaction utility (e.g., "save 10 to 40 percent," "save up to 60 percent," "save 20 percent or more") are used to

promote a range of price discounts for a product line, an entire department, or sometimes an entire store.

Objective price claims provide a single discount level (e.g., "save 25 percent").

Tensile and objective price claims have a potentially greater effect on consumer shopping and on store traffic than a reference price advertisement that promotes a single product because of the broader range of merchandise covered by them.

a)   Consumer evaluations and shopping intentions are least favorable for advertisements stating the minimum discount level ("save 10 percent or more").

b)   Ads that state a maximum discount level ("save up to 40 percent") either equal or exceed the effectiveness of ads stating a discount range ("save 10 to 40 percent").

Consumer reactions to *tensile price claims* are affected by the *width* of the discount range.

c)   Studies found that, for *broader* discount ranges, tensile claims stating the maximum level of savings have more positive effects than those stating the minimum level or the entire savings range.

d)   For more *narrow* discount ranges, tensile claims stating the maximum level of savings appear to be no more effective than claims stating the minimum level or the entire savings ranges.

Consumers are less sensitive to price when using credit cards than when they use cash.

e)   In a similar vein, a recent study reported that consumers tend to be less sensitive to price when they shop online rather than when they shop in stores.

Perceived Quality

Consumers often judge the quality of a product *(perceived quality)* on the basis of a variety of informational cues.

a)   **Intrinsic cues** are physical characteristics of the product itself, such as size, color, flavor, or aroma.

b)   **Extrinsic cues** are such things as price, store image, service environment, brand image, and promotional message.

Perceived Quality of Products

Intrinsic cues are concerned with physical characteristics of the product itself, size, color, flavor, etc.

a)   Consumers like to think they base quality evaluations on intrinsic cues, but in reality, they are often unable to identify that product in a taste test.

b)   In the absence of actual experience with a product, consumers often evaluate quality on the basis of extrinsic cues, price, brand image, store image, etc.

Many consumers use *country-of-origin* stereotypes to evaluate products.

Perceived Quality of Services

It is more difficult for consumers to evaluate the quality of services than the quality of products.

Service characteristics include—intangibility, variability, perishability, simultaneously produced, and consumed.

Consumers are unable to compare services side-by-side as they do products, so consumers rely on surrogate or extrinsic cues when purchasing services.

Marketers try to standardize their services in order to provide consistency of quality.

Service is consumed as it is being produced.

As a result, defective services are difficult to correct.

Researchers have concluded that the service quality that a customer perceives is a function of the magnitude and direction of the gap between *expected service* and the customer's *assessment of the service actually delivered*.

SERVQUAL, measures the gap between customers' expectations of services and their perceptions of the actual service.

a)   These perceptions are based on the dimensions of; tangibles, reliability, responsiveness, assurance, and empathy.

b)   Two dimensions used to measure service quality are *outcome* dimensions—the reliable delivery of the core service—and *process* dimensions—how the core service is delivered.

Transaction satisfaction index is one tool researchers have used to try to integrate the concepts of product quality and service quality.

Conceptual Model of Transaction Satisfaction—the model suggests that the consumer's overall satisfaction with the transaction is based on evaluation of service quality, product quality, and price.

Price/Quality Relationship

Perceived product value has been described as a trade-off between the product's perceived benefits (or quality) and perceived sacrifice required to acquire it.

A number of research studies support the view that consumers rely on price as an indicator of product quality.

a)   Other studies suggest consumers are actually relying on a well-known brand name as a quality indicator.

Because price is so often considered to be an indicator of quality, some products deliberately emphasize a high price to underscore their claims of quality.

Marketers have used the *price/quality relationship* to position their products as the top-quality offering in their product category.

b)   There is a positive price/quality relationship.

c)   Consumers use price as a surrogate indicator of quality if they have little information or little confidence in their ability to make a choice.

Retail Store Image

Retail stores have their own images that influence the perception of the quality of the products they carry.

Studies show consumers perceive stores with small discounts on a large number of products as having lower-priced items than stores that offer large discounts on a small number of products.

The *width of product assortment* also affects retail store image.

The type of product the consumer wishes to buy influences his or her selection of retail outlet, conversely, the consumer's evaluation of a product often is influenced by the knowledge of where it was bought.

Most studies of the effects of extrinsic cues on perceived product quality have focused on just one variable—either price or store image.

a) When a second extrinsic cue is available (e.g., price and store image), however, perceived quality is sometimes a function of the interaction of both cues on the consumer.

Manufacturer's Image

Consumer imagery extends beyond perceived price and store image to the producers themselves.

Manufacturers who enjoy a favorable image generally find that their new products are accepted more readily than those of manufacturers who have a less favorable or even a "neutral" image.

Researchers have found that consumers generally have favorable perceptions of pioneer brands (the first in a product category), even after follower brands become available.

a) They also found a positive correlation between pioneer brand image and an individual's ideal self-image, which suggests that positive perceptions toward pioneer brands lead to positive purchase.

Some major marketers introduce new products under the guise of supposedly smaller, pioneering (and presumably more forward-thinking) companies.

b) The goal of this so-called *stealth* (or faux) *parentage* is to persuade consumers (particularly young consumers) that the new brands are produced by independent, nonconformist free spirits, rather than by giant corporate entities such as their parents might patronize.

Companies sometimes use stealth parentage when they enter a product category totally unrelated to the one with which their corporate name has become synonymous.

Today, companies are using advertising, exhibits, and sponsorship of community events to enhance their images.

Perceived Risk

Perceived risk is the uncertainty that consumers face when they cannot foresee the consequences of their purchase decision.

The degree of risk that consumers perceive and their own tolerance for risk taking are factors that influence their purchase strategies.

Consumers are influenced by risks that they perceive, whether or not such risks actually exist.

a) Risk that is not perceived will not influence consumer behavior.

Types of risk include: **functional risk, physical risk, financial risk, social risk, psychological risk,** and **time risk.**

Perception of Risk Varies

The amount of risk perceived depends on the specific consumer.

High-risk perceivers are **narrow categorizers** because they limit their choices.

Low-risk perceivers are **broad categorizers** because they make their choice from a wide range of alternatives.

Individual perception of risk varies by product category.

a) Consumers are likely to perceive a higher degree of risk in the purchase of a high definition television set (e.g., functional risk, financial risk, time risk) than in the purchase of an automobile.

Researchers have identified *product-specific* perceived risk.

b) One study found that consumers perceive service decisions to be riskier than product decisions, particularly in terms of social risk, physical risk, and psychological risks.

Perception of the degree of risk is also affected by the shopping situation.

How Consumers Handle Risk

1. **Consumers seek information** about products and product categories by word-of-mouth.
   a) They spend more time considering their decision the higher the perceived risk.

2. **Consumers are brand loyal.**
   a) Consumers avoid risk by staying with a brand they know and are satisfied with.
   b) High-risk perceivers are the most brand loyal.

3. **Consumers select by brand image.**
   a) When consumers lack experience with a product, they trust a well-known brand.
   b) Consumers believe well-known brands are better and are worth buying for assured quality.

4. **Consumers rely on store image.**
   a) If consumers have no other information about a product, they judge it based on the store.
   b) Store image imparts the implication of product testing and assurance of service.

5. **Consumers buy the most expensive model.**
   a) When in doubt, consumers equate price with quality.

6. **Consumers seek reassurance.**
   a) Consumers, uncertain about a product choice, seek reassurance through guarantees, tryouts, money-back offers, etc.

The concept of perceived risk has major implications for the introduction of new products.

b) Because high-risk perceivers are less likely to purchase new or innovative products than low-risk perceivers, it is important for marketers to provide such consumers with persuasive risk-reduction strategies.

Activity 2

Tick the correct choice

1. Many times a new product is a success because it is an extension of a successful and trusted brand. This is because people:

   a. create first impressions.

   b. tend to stereotype.

   c. are affected by the halo effect.

   d. jump to conclusions.

2. Positioning strategy is the essence of the marketing mix; it compliments the company's definition of the company's:

   a. competition.

   b. segmentation strategy.

   c. selection of target markets.

   d. all of the above

3. Avis uses a clear comparative strategy by stating, "We are number 2, we try harder." This is an example of:

   a. positioning.

   b. stereotyping.

   c. how it uses sympathy to attract customers.

   d. deception.

4. Gillette's "For oily hair only" shampoo was a product failure because:

   a. most people do not have oily hair.

   b. most people were turned off by the slogan.

   c. most people do not acknowledge that they have oily hair.

   d. many customers have negative feelings toward Gillette company.

5. One company may realize there are several market opportunities for one product. A company like Anheuser-Busch introduced three brands of beer, and positioned them according to different criteria. Which positioning strategy would that fall under?

   a. umbrella positioning

   b. filling several positions

   c. positioning based on a specific benefit

   d. repositioning

6. When Kentucky Fried Chicken changed its name to KFC, it was to omit the dreaded word fried from its advertising. KFC had to go through a/an _____ process to justify the name change.

   a. umbrella positioning

   b. repositioning

   c. reorganization

   d. financial audit

7. The technique of _____ helps marketers to determine how their products and services appear to consumers in relation to competitive brands on one or more relevant characteristics.

   a. umbrella branding

   b. repositioning

   c. perceptual mapping

   d. perceptual organization

8. It is difficult for service companies to position their products without tangibles, so they must work on other factors to attract customers. Which of the following is <u>not</u> an important environmental variable important to bank customers?

   a. privacy

   b. aesthetics

   c. physical appearance of the people in the bank, both customers and personnel

   d. all of the above are important to bank customers

9. The service industry faces a challenge of pricing intangible products. Three strategies based on customer perception of the value provided help service companies to price their products. Which of the following is <u>not</u> one of the strategies?

   a. satisfaction-based pricing

   b. relationship pricing

   c. reference pricing

   d. efficiency pricing

10. A _____ is any price that a consumer uses as a basis for comparison in judging another price.

    a. tensile

    b. objective

    c. reference

    d. discount

11. "Save 10 to 40%" and "save up to 60%" are examples of:

    a. tensile price claims.

    b. objective price claims.

    c. reference price claims.

    d. plausible low prices.

12. Consumer Reports found that consumers often cannot differentiate among various cola beverages and that they base their preferences on _____ cues such as packaging, pricing, advertising and peer pressure.

    a. extrinsic

    b. intrinsic

    c. positive

    d. negative

13. Some distinctive characteristics of services make it harder on consumers to judge quality. Which of the following is <u>not</u> a characteristic of services?

    a. variable
    b. perishable
    c. tangible
    d. simultaneously produced and consumed

14. If you go to the same restaurant every day, but are waited on by different servers, the quality of your meal may fluctuate. This is because of the service characteristic of _____.

    a. variability
    b. perishability
    c. intangibility
    d. being simultaneously produced and consumed

15. Studies have shown that consumers that use a price/quality relationship are actually relying on a well-known brand name as an indicator of quality. Also, these consumers use price and brand to evaluate the prestige of the product but do not generally use these cues to evaluate product _____.

    a. price
    b. value
    c. performance
    d. features

16. A study of retail store image based on competitive pricing strategies found that consumers tend to perceive stores that offer a small discount on a large number of items as having _____ prices over all in comparison to stores that offer larger discounts on a smaller number of products.

    a. higher
    b. lower
    c. extremely higher
    d. the same

17. Which of the following is an important consumer perception factor that affects customer decisions?

    a. quality
    b. price/quality relationship
    c. store image
    d. all of the above are consumer perception factors that affect decisions

18. _____ is the uncertainty that consumers face when they cannot foresee the consequences of their purchase decision.

    a. Post-purchase dissonance
    b. Cognitive dissonance
    c. Perceived risk
    d. none of the above

19. How do consumers handle risk?

    a. They seek information.
    b. They select by brand image.
    c. They buy the most expensive model.
    d. all of the above

20. Some consumers will buy the most expensive model of a new product. This happens most of the time because:

    a. they are concerned with image.
    b. they have little information, and this would reduce the risk.
    c. most consumers have lots of money.
    d. the lower priced models are always sold out.

Key Terms

- Exposure
- Attention
- Selective Exposure
- Focal attention
- Non Focal Attention
- Habituation
- Perceptual Defense
- Subliminal perception
- Gestalt Psychology
- Closure
- Similarity
- Figure-Ground

Article 1
Perception

It's Perception Management!

Brand is a function of the mind. It is perceptions which shape its personality and evolution over time so brand management is, in essence, management of perceptions.

SARS today is a brand — a brand with negative perception.

IN the Eighties we called it Product Management. In the Nineties we glamorised it as Brand Management. In the opening years of the 2000 series, we might as well get ready to rechristen it once again.

If given the right to father this new science, art and philosophy as we know it today, I would choose the blatantly open terminology of them all that best describes the management of brands today. Perception Management!

Brand management is today in essence the management of perception. The complex process of management of perception in a bid to leverage attitude. Critical attitude that leads to purchase decisions, and more importantly an attitude that fosters the brand in a positive mindset for years to come in the hearts, minds and gall bladders (who knows where the seat of thinking and emotion really is?) of consumers.

Perception management it is! The brand itself, for a start, is a perception. Its value is a bigger perception still. Its delivery expectations, its quality standards, and its satisfaction cues are all perception-triggers that create that all big 'P'! Brand perception!

Brand managers are therefore perception managers for their offerings of commerce. The brand manager does what he does in a bid to create that positive perception for the wares he touts. In this process he swims within an environment, fights with it, and eventually dominates it ... as in the case of the most successful brands that occupy the hearts or gall bladders

(remember, the heart is a bit too over-hyped! Time for the gall bladder to get some limelight as well!) of consumers.

Perception is specific. Perception is personal. Perception is individualistic. Yes, it certainly is all of this! The brand manager is a clever guy as well! He knows how to create, nurture and mass-replicate perception itself! And that indeed is the new science of perception management I am talking about. A new science that depends on image matrices that can leverage attitude and subsequent behaviour. The roots of much of which can be found in the early processes adopted by Pavlov. Pavlov is alive and kicking in the science of perception management today. As alive as Fido Dido himself!

It is indeed all about stimulus and response. A particular and specific consumer response is pretty possible with a specific delivery of a stimulus. The delivery vehicle needs to be right. The choice of stimulus must be one that has been vetted by an ardent and intensive process of mass and specific consumer research, covering the quantitative, the qualitative and the holistic!

Look around at brands that have succeeded in breaching the threshold perception levels of contemporary consumer mindsets. These are brands that have got the stimulus just right for the society the brands swim in today. What's more, the paradigm of positive stimulus creating positive response is being broken up by the demands of contemporary society that believes less and less in rules.

A negative stimulus is pretty much capable of producing a positive response as well! Nestle's Yorkie chocolate bar touts itself boldly as "Not for girls"! Girls are even derided - "Does not come in Pink"! Girls love picking up the chocolate off the shelves! Remember, this is rebel society we live in! Perception management in these times is a daunting task that defies the dos and don'ts many of us have picked up in management schools that taught static-state societal theory.

Perception management it is then! Brand managers are seeking out the help of those who understand the psychology of individuals and the psychology of the mass that constitutes contemporary society today. Brand managers will soon run to seers who can look into the future of society as it morphs itself as well! Remember, the brand that can offer perception cues of what consumers will want in the future is going to be one step ahead in this mass perception game.

The good thing about perception is that once it attains critical mass through the hard work put in by hard-working brand managers, it is pretty viral in its spread and stretch. It is indeed a good thing for positive perception and a terrible thing when it comes to negative perception!

I have just returned from a quick, anxious and hurried trip into Hong Kong. There is a dreadful fear all around in this territory. My two-day trip into Hong Kong and Macao has been full of sights that speak of both a metaphorical and literal viral fear. There is paranoia in the air. Face-masks that protect, gloves that are ubiquitous, rabid stares at people who are ill-mannered enough not to cough or sneeze into tissues held on their nostrils and mouths, and a fear of death lurking at the corner

of every individual's sleeve is a reality in this otherwise open market.

The perception of SARS is a blatant reality today. Even as I return from Hong Kong, friends who know I have been there, don't want to party with me for a while. There are some who are absolutely open, telling me to be careful and avoid visiting the region. Others are polite and speak on the phone and make those excuses of how they want to postpone their meetings for next week as something special has come up!

SARS is a brand today. A brand that has a perception that is deadly. A perception that is negative to the point of death. Negative to the point of being shunned. The spread is viral.

Word-of-mouth spread that is as potent in its reach and deadly effect as the virus at prey itself! Remember, SARS is a perception as well! A perception that has found its way in a quick and efficient manner that rivals Mr Bush's "shock and awe" *tamasha* in Iraq!

SARS today threatens businesses of every ilk in the region! It threatens the very fabric of the economy of South East Asia. For a long time to come, tourists will avoid the region. Travel advisories will be out. And for a long time to come, I will not visit Hong Kong as well!

Article 2

"Indian Brands Abroad Have To Work On Perception"

"The people of West Asia are realising that a brand is not just putting a name on a product, but that they've got to invest in it. They've got to look at advertising and promotion as an investment rather than as expenditure. That awareness is increasing. And for us in the consulting business, there lies tremendous opportunity."

Say 'West Asia', or to use a more popular term, 'Gulf', and the immediate picture that comes to mind is oil, deserts and perhaps lots of Indians, but not a marketing consultancy firm. So, it's a bit of a surprise to hear of MTI Consulting, a global marketing consulting and training firm based in Bahrain.

What's more interesting about MTI and Hilmy Cader, its founder and Managing Director, is that in just a few years they developed a strategic marketing tool that's won them words of praise from none less than Philip Kotler, the guru of all marketing gurus.

Cader says he would like to "take marketing consulting to the next level, to something we call `venture marketing' - which is to say, ok, we believe in our marketing consulting solutions, so forget about the fixed fees, let's work on performance." MTI's clients come from 20 countries around the world, and include the likes of Agribrands International, subsidiaries of DuPont and SriLankan Airlines.

The company's '8S' strategic marketing tool takes businesses through an eight-stage sequential process that comprises steps such as scope, scan, sights, strategy, structure, staff, systems and social responsibility. The focus is, as Cader puts it, "directly on performance improvement, basically improving the bottomline".

Cader, who was in India recently on a mission for SriLankan Airlines and also to look at the possibility of working with some Indian consultants, spoke to Catalyst *on marketing practices in West Asia, Indian brands in the 'Gulf' and also on the work of his company. Edited excerpts from his interview:*

How high is the level of awareness of marketing in West Asia?

The whole awareness of marketing is slowly beginning to increase. There are lots of multinational companies setting up base there. So with all the MNCs coming in, the market is getting very competitive. Also, other support services around the core marketing areas are also being set up - things such as research, feasibility studies, advertising, media buying and outdoor. This is a good sign, which means that marketers have access to all those services.

What this also means is that many of the local companies, some of which have had a very high degree of protection, have been challenged.

Of course, some are finding it very difficult to cope, but there are some good local brands that are fighting it out and coming out on top.

If you look at Saudi Arabia, there is a brand called Al Marai, which is a dairy brand (Saudi is one of the driest countries and this brand has one of the largest dairy farms near Riyadh) and is one of the strongest brands, which even the MNCs have not been able to fight. Unilever and Nestle pulled out of ice-creams last year in West Asia because they couldn't fight the local competition.

In a market such as Oman we have a brand of detergent called Bahar, which has actually taken Ariel head on and has done fairly well.

So we are beginning to see some of these local brands coming up.

Is there a conscious effort to build brands in the West Asian region?

Certainly. I don't think it's yet at a stage like in India or the West. But it is changing rapidly. The people of West Asia are realising that a brand is not just putting a name on something, but that they've got to invest in it.

They've got to look at advertising and promotion as an investment rather than as expenditure. So that awareness is increasing.

And for us in the consulting business we see a tremendous opportunity, because there are a lot of small and medium groups who have typically been traders.

They have a brand, but the approach has been more one of trading. They are now saying 'we need to build a brand and strengthen it'.

What sort of promotional and advertising strategies do companies in the region look at? Is there a lot of advertising on television?

What we are increasingly seeing is increasing spends on - I wouldn't call it below-the-line - but promotions that are more related to the point of sale. This is because the population is relatively small and lots of shopping malls and restaurants are

coming up. All of them are packed in the evening and you find that is what the TV stations call 'prime time'. If you look at the number of cars at the mall there is a mismatch between the people there and the people likely to be watching TV.

So the whole concept of experience marketing, in terms of catching the person closer to the point of purchase has relevance. There are lots of companies that are saying it's not worth going on the media because they need, say, $100,000 to stand up and do what they can do with $10,000 in a market of two million people. In which case they have to go to a larger market, they won't need the local media, but the regional or global media to do that. So a lot of it is shifting to the point of purchase.

Could you explain how the '8S' system developed by your company works?

It is basically a strategic planning model that we developed to take an organisation through the entire planning process.

So we start off with looking at the 'scope' of the organisation. Here we try to enable the client to define aspects such as 'what business are we really in' and 'why are we in business'? Then we 'scan' the environment.

Once the scanning is done we look at where the client wants to be - in the long term and in the short term. We call this 'sights'.

This is not just the ceremonial stuff you want to have on the wall, but involves actually getting a commitment from people on where they really want to be and can they realistically be there, and in that entire market what particular segments are you going to get into, which consumers are you going to target and so on. And we find that this is not addressed in many marketing plans.

Then we look at the 'strategy' on how to achieve the 'sights' in terms of customers, CRM, communication, channel strategy and such details.

Then we look at 'structure', which we don't look at in traditional marketing (and is left to the HR department). This you can't do in an integrated highly competitive market, because you need to look at your own structure as your implementation of the strategy depends a lot on structure.

Say, for instance, you offer a seamless 'total solution' to the customer.

Take a computer company with a structure where one person handles printers and another handles scanners, and they don't talk to each other. If I'm a customer, you can tell me you are giving me total solutions.

But if you have people in two different locations and they don't talk to each other, and you tell me there is no problem with my printer and there is no problem with my scanner, and the problem is in the connection, you are right. But I don't get a solution. So structure is very important.

Then we look at 'staff' in terms of what competencies are required. And an important part there is the organisation's structure and performance-based pay. More and more companies are moving towards performance-based pay.

Then we look at 'systems' in terms of control, reporting and processes. One area we find a lot of marketing organisations are weak in is process.

The IT processes are there, but take a salesperson going into a shop. You know he just goes in and goes on. But the processes you follow when you go into a shop, those areas are not clear. The last part of our model is 'social responsibility'.

We believe there are two things an organisation must do: The first is compliance, not just to the narrow law, but also more in spirit.

Because increasingly you find that the corporate world is paying very little respect to this, and this is going to backfire.

The other is how can you make the world a better place.

I'm not talking of charity, but of how social responsibility can be integrated into your communication, like what Body Shoppe has done.

So, how is the '8S' approach different?

One, it takes a more holistic view. It doesn't focus just on the four 'Ps' or the strategy.

It is increasingly difficult to focus and say 'this is core marketing and you need core marketing people'.

What is the future of marketing in West Asia? Which are the more vibrant markets?

Use of marketing is certainly going to increase. The need for that is there. There's more competition coming in and you cannot continue to rely on gut feel.

In terms of sophistication you are talking about Dubai and Lebanon.

But in terms of mass marketing, you are looking at Saudi Arabia, Morocco and Egypt where the opportunities really are from an FMCG point of view.

From a more corporate services point of view, it's Dubai.

How widely used is marketing research in West Asia? Also, is it very relevant?

It is in fact more important for the simple reason that you have a high number of expatriates in marketing positions. So, you are talking about an expatriate trying to understand a different culture, a different language and so on. Arabic is a very descriptive language and we have enormous problems because a brand manager will do the focus group brief in English, goes to the research agency which thinks of it in English and goes to somebody else who does the translation in Arabic and they may just do a check with someone who writes in Arabic, but thinks in English. And by the time the whole process is complete, you can lose the subtle nuances, especially in qualitative research.

So MR is very important.

Also, there is high degree of courtesy bias, like in Japan. So people may not necessarily tell you all the time 'this is bad', which doesn't help you if you are in marketing because you have to cut through all that and find out what is the chance of someone buying your detergent powder or whatever.

What kind of equity do Indian brands have in West Asia?

I think most of the Indian brands, whether it is Amul or Onida, are there. But I still think they are positioned lower to

middle. I feel that in terms of intrinsic quality, the Indian brands are still able to deliver. But what they have to work on is the perception.

So is perception management the main task for Indian brands looking at entering that market?

Yes, perception and positioning. The good news is that you have a product that can live up to much higher expectations.

There is scope for Indian brands in the product area. There is also scope for Indian brands in the service area. Look at advertising, for instance.

You still don't get any Indian ad agencies going all out in the Gulf or anywhere in the world for that matter. Whereas I feel that you have one of the best and most competitive advertising industries in the world here in India.

And I feel that Indians are among the best ad people in the world. But that has been confined to India and hasn't been taken out to the world. So I feel there is a lot that can be done in the service area. There are lots of Indian service brands that haven't gone out and have a lot of scope.

Points To Remember

Weber's Law	A theory concerning the perceived differentiation between similar stimuli of varying intensities (i.e., the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different).

Marketing Applications of the JND

■ Need to determine the relevant j.n.d. for their products
 – so that negative changes are not readily discernible to the public
 – so that product improvements are very apparent to consumers

Figure 6.3 Gradual Changes in Brand Name Fall Below the J.N.D.
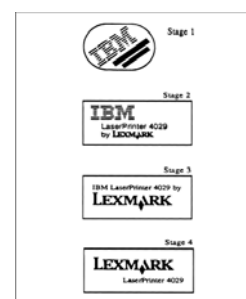
Subliminal Perception	Perception of very weak or rapid stimuli received below the level of conscious awareness.

Concepts Concerning Selective Perception

Gestalt Psychology

- Selective Exposure
- Selective Attention
- Perceptual Defense
- Perceptual Blocking

Aspects of Perception

Selection

Organization

Interpretation

Principles of Perceptual Organization

- Figure and ground
- Grouping
- Closure

Influences of Perceptual Distortion

- Physical Appearances
  - Stereotypes
  - First Impressions
- Jumping to Conclusions
  - Halo Effect

Issues In Consumer Imagery

- Product Positioning and Repositioning
- Positioning of Services
- Perceived Price
- Perceived Quality
- Retail Store Image
- Manufacturer Image
- Perceived Risk

LESSON 13:
CONSUMER LEARNING

Introduction

Need to understand individual's capacity to learn. Learning, changes in a person's behavior caused by information and experience. Therefore to change consumers' behavior about your product, need to give them new information re: product...free sample etc.

When making buying decisions, buyers must process information. *Knowledge* is the familiarity with the product and expertise. Inexperience buyers often use prices as an indicator of quality more than those who have knowledge of a product. Non-alcoholic Beer example: consumers chose the most expensive six-pack, because they assume that the greater price indicates greater quality.

Learning is the process through which a relatively permanent change in behavior results from the consequences of past behavior.

This chapter takes a brief look at the two major categories of learning theories (behaviorism and constructivism), the major theorists within those categories, and the implications of those theories for the use of multimedia and communications and information technology for learning purposes.

Objectives

After learning this lesson you should be able to:

1. Explain consumer learning theory and identify the necessary elements.

2. Discuss the elements of Classical Conditioning theory.

3. Identify the three strategic applications of Classical Conditioning.

4. Review the elements of Instrumental Conditioning.

5. Discuss the strategic applications of Instrumental Conditioning.

6. Describe modeling (observational learning).

7. Explain and apply cognitive learning theory in a marketing situation.

8. Describe three ways information may be stored in memory.

9. Relate involvement theory to consumer behavior.

10. Describe the Elaboration Likelihood Model.

11. Outline measures of involvement.

12. Understand how consumer learning can be measured.

13. Discuss the concepts of brand loyalty and brand equity.

1. What is Learning?

Summary

Consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behavior. Some learning is intentional; much learning is incidental. Basic elements that contribute to an understanding of learning are motivation, cues, response, and reinforcement.

There are two schools of thought as to how individuals learn—behavioral theories and cognitive theories. Behavioral theorists view learning as observable responses to stimuli; whereas cognitive theorists believe that learning is a function of mental processing.

Three types of behavioral learning theories are classical conditioning, instrumental conditioning, and observational (vicarious) learning. The principles of classical conditioning that provide theoretical underpinnings for many marketing applications include repetition, stimulus generalization, and stimulus discrimination. Neo-Pavlovian theories view traditional classical conditioning as cognitive associative learning rather than as reflexive action.

Instrumental learning theorists believe that learning occurs through a trial-and-error process in which positive outcomes (i.e., rewards) result in repeat behavior. Both positive and negative reinforcement can be used to encourage the desired behavior. Reinforcement schedules can be total (consistent) or partial (fixed ratio or random). The timing of repetitions influences how long the learned material is retained. Massed repetitions produce more initial learning than distributed repetitions; however, learning usually persists longer with distributed (i.e., spread out) reinforcement schedules.

Cognitive learning theory holds that the kind of learning most characteristic of humans is problem solving. Cognitive theorists are concerned with how information is processed by the human mind: how is it stored, retained, and retrieved. A simple model of the structure and operation of memory suggests the existence of three separate storage units: the sensory store, short-term store (or working memory), and long-term store. The processes of memory include rehearsal, encoding, storage, and retrieval.

Involvement theory proposes that people engage in limited information processing in situations of low importance or relevance to them and in extensive information processing in situations of high relevance. Hemispheral lateralization theory gave rise to the theory that television is a low-involvement medium that results in passive learning and that print and interactive media encourage more cognitive information processing.

Measures of consumer learning include recall and recognition tests, cognitive responses to advertising, and attitudinal and behavioral measures of brand loyalty in terms of the consumer's behavior or the consumer's attitude toward the brand. Brand equity refers to the inherent value a brand name has in the marketplace.

For marketers, the major reasons for understanding how consumers learn are to teach them that their brand is best and to develop brand loyalty.

Introduction

Marketers are concerned with how individuals learn because they want to teach them, in their roles as consumers, about products, product attributes, and potential consumer benefits; about where to buy their products, how to use them, how to maintain them, even how to dispose of them.

Marketing strategies are based on communicating with the consumer.

a)   Marketers want their communications to be noted, believed, remembered, and recalled.

b)   For these reasons, they are interested in every aspect of the learning process.

There is no single, universal theory of how people learn.

There are two major schools of thought concerning the learning process: one consists of behavioral learning theories, the other of *cognitive learning theories*.

Cognitive theorists view learning as a function of purely mental processes, although behavioral theorists focus almost exclusively on observable behaviors (responses) that occur as the result of exposure to stimuli.

Consumer Learning

Consumer learning can be thought of as *the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior.*

Several points in this definition are worth noting.

a)   First, consumer learning is a *process*; that is, it continually evolves and changes as a result of newly acquired *knowledge* or from actual *experience*.

b)   Both newly acquired knowledge and personal experience serve as *feedback* to the individual and provide the basis for *future behavior* in similar situations.

The role of experience in learning does not mean that all learning is deliberately sought. A great deal of learning is also *incidental*, acquired by accident or without much effort.

The term *learning* encompasses the total range of learning, from simple, almost reflexive responses to the learning of abstract concepts and complex problem solving.

c)   Most learning theorists recognize the existence of different types of learning and explain the differences through the use of distinctive models of learning.

Despite their different viewpoints, learning theorists in general agree that in order for learning to occur, certain basic elements must be present—motivation, cues, response, and reinforcement.

Motivation

Motivation is based on needs and goals.

a)   **The degree of relevance, or** *involvement*, with the goal, is critical to how motivated the consumer is to search for information about a product.

Uncovering consumer motives is one of the prime tasks of marketers, who try to teach consumer segments why their product will best fulfill their needs.

Cues

If motives serve to stimulate learning, **cues** are the stimuli that give direction to the motives.

a)   In the marketplace, price, styling, packaging, advertising, and store displays all serve as cues to help consumers fulfill their needs.

Cues serve to direct consumer drives when they are consistent with their expectations.

Response

How individuals react to a cue—how they behave—constitutes their **response**.

A response is not tied to a need in a one-to-one fashion.

A need or motive may evoke a whole variety of responses.

The response a consumer makes depends heavily on previous learning; that, in turn, depends on how related responses were reinforced previously.

Reinforcement

Reinforcement increases the likelihood that a specific response will occur in the future as the result of particular cues or stimuli.

Behavioral Learning Theories

Behavioral learning theories are sometimes called **stimulus-response theories**.

a)   When a person responds in a predictable way to a known stimulus, he or she is said to have "learned."

Behavioral theories are most concerned with the *inputs* and *outcomes* of learning, not the *process*.

Two theories relevant to marketing are **classical conditioning** and **instrumental (or operant) conditioning**.

Classical Conditioning

Early classical conditioning theorists regarded all organisms as passive recipients.

a)   *Conditioning* involved building automatic responses to stimuli.

Ivan Pavlov was the first to describe conditioning and to propose it as a general model of how learning occurs.

b)   For Pavlov, **conditioned learning** results when a stimulus that is paired with another stimulus elicits a known response and serves to produce the same response when used alone.

c)   He used dogs to demonstrate his theories.

d)   The dogs were hungry and highly motivated to eat.

e) Pavlov sounded a bell and then immediately applied a meat paste to the dogs' tongues, which caused them to salivate.

f) After a sufficient number of repetitions of the bell sound, followed almost immediately by the food, the bell alone caused the dogs to salivate.

In a consumer behavior context, an unconditioned stimulus might consist of a well-known brand symbol (e.g., the Microsoft "windows" icon) that implies technological superiority and trouble-free operation (the unconditioned response).

Conditioned stimuli might consist of new products bearing well-known symbols.

Cognitive Associative Learning

Recent conditioning theory views classical conditioning as the learning of associations among events that allows the organism to anticipate and "represent" its environment.

The relationship (i.e., contiguity) between the conditioned stimulus and the unconditioned stimulus (the bell and the meat paste) influenced the dogs' expectations, which in turn influenced their behavior (salivation).

Classical conditioning is seen as ***cognitive associative learning*** not the acquisition of new reflexes, but the acquisition of new knowledge about the world.

Optimal conditioning—that is, the creation of a strong association between the conditioned stimulus (CS) and the unconditioned stimulus (US)—requires forward conditioning; that is, the CS should precede the US, repeated pairings of the CS and the US, a CS and US that logically belong together, a CS that is novel and unfamiliar, and a US that is biologically or symbolically salient.

Under ***neo-Pavlovian conditioning***, the consumer can be viewed as an information seeker who uses logical and perceptual relations among events, along with his or her own preconceptions, to form a sophisticated representation of the world.

Strategic Applications of Classical Conditioning

Three basic concepts derive from classical conditioning: ***repetition, stimulus generalization,*** and ***stimulus discrimination.***

1. ***Repetition*** works by increasing the strength of the association and by slowing the process of forgetting.

   a) After a certain number of repetitions retention declines.

   b) This effect is known as ***advertising wearout*** and can be decreased by varying the advertising messages.

   c) Wearout may be avoided by varying the message through *cosmetic variation* or *substantive variation*.

Some don't agree about how much repetition is needed.

   d) The three-hit theory states that the optimum number of exposures to an ad is three.

   i) One to make the consumer aware of the product.

   ii) A second to show consumers the relevance of the product.

   iii) A third to remind them of its benefits.

The effectiveness of repetition is somewhat dependent upon the amount of competitive advertising to which the consumer is exposed.

   e) As exposure increases, the potential for *interference* increases.

According to classical conditioning theorists, learning depends not only on repetition, but also on the ability of individuals to generalize.

2. ***Stimulus generalization*** explains why imitative "me too" products succeed in the marketplace: consumers confuse them with the original product they have seen advertised.

   a) It also explains why manufacturers of private label brands try to make their packaging closely resemble the national brand leaders.

The principle of stimulus generalization is applied by marketers to product line, form, and category extensions.

   b) In ***product line extensions***, the marketer adds related products to an already established brand, knowing that the new product is more likely to be adopted when it is associated with a known and trusted brand name.

   i) Conversely, it is much more difficult to develop a totally new brand.

   c) Marketers offer ***product form extensions*** that include different sizes, different colors, and even different flavors.

   d) ***Product category extensions*** generally target new market segments.

   i) The success of this strategy depends on a number of factors.

   ii) For example, if the image of the parent brand is one of quality, consumers are more likely to bring positive associations to the new category extensions.

Family branding—the practice of marketing a whole line of company products under the same brand name—is another strategy that capitalizes on the consumer's ability to generalize favorable brand associations from one product to the next.

Retail private branding often achieves the same effect as family branding.

   e) For example, Wal-Mart used to advertise that its stores carried only "brands you trust." Now, the name Wal-Mart itself has become a "brand" that consumers have confidence in, and the name confers brand value on Wal-Mart's store brands.

Licensing—allowing a well-known brand name to be affixed to products of another manufacturer—is a marketing strategy that operates on the principle of *stimulus generalization*.

Corporations also license their names and trademarks, usually for some form of brand extension, where the name of the corporation is licensed to the maker of a related product and thereby enters a new product category.

Municipal and state governments have begun licensing their names to achieve new sources of revenue. The Vatican Library licenses its name for a variety of products from luggage to bed linens.

The increase in licensing has made counterfeiting a booming business, as counterfeiters add well-known licensor names to a variety, of products without benefit of control or quality control.

3. *Stimulus discrimination* is the opposite of stimulus generalization and results in the selection of specific stimulus from among similar stimuli.

   a) The consumer's ability to discriminate among similar stimuli is the basis of positioning strategy, which seeks to establish a unique image for a brand in the consumer's mind.

The key to stimulus discrimination is effective **positioning**, a major competitive advantage.

   b) The image, or position, that a product or service has in the mind of the consumer is critical to its success.

   c) Unlike the imitator who hopes consumers will generalize their perceptions and attribute special characteristics of the market leader's products to their own products, market leaders want the consumer to discriminate among similar stimuli.

Most product differentiation strategies are designed to distinguish a product or brand from that of competitors on the basis of an attribute that is relevant, meaningful, and valuable to consumers.

It often is quite difficult to unseat a brand leader once stimulus discrimination has occurred.

   d) In general, the longer the period of learning—of associating a brand name with a specific product—the more likely the consumer is to discriminate, and the less likely to generalize the stimulus.

The principles of classical conditioning provide the theoretical underpinnings for many marketing applications.

   e) Repetition, stimulus generalization, and stimulus discrimination are all major applied concepts that help explain consumer behavior.

Instrumental Conditioning

Like classical conditioning, *instrumental conditioning* requires a link between a stimulus and a response.

   a) However, in instrumental conditioning, the stimulus that results in the most satisfactory response is the one that is learned.

Instrumental learning theorists believe that learning occurs through a trial-and-error process, with habits formed as a result of rewards received for certain responses or behaviors.

   b) Although classical conditioning is useful in explaining how consumers learn very simple kinds of behaviors, instrumental conditioning is more helpful in explaining complex, goal-directed activities.

According to American psychologist B. F. Skinner, most individual learning occurs in a controlled environment in which individuals are "rewarded" for choosing an appropriate behavior.

   c) In consumer behavior terms, instrumental conditioning suggests that consumers learn by means of a trial-and-error process in which some purchase behaviors result in more favorable outcomes (i.e., rewards) than other purchase behaviors.

   d) A favorable experience is instrumental in teaching the individual to repeat a specific behavior.

Like Pavlov, Skinner developed his model of learning by working with animals.

   e) In a marketing context, the consumer who tries several brands and styles of jeans before finding a style that fits her figure (positive reinforcement) has engaged in instrumental learning.

Reinforcement of Behavior

Skinner distinguished two types of reinforcement (or reward) influence , which provided that the likelihood for a response would be repeated.

   a) The first type, **positive reinforcement**, consists of events that strengthen the likelihood of a specific response.

   b) **Negative reinforcement** is an unpleasant or negative outcome that also serves to encourage a specific behavior.

      i) Fear appeals in ad messages are examples of negative reinforcement.

      c) Either positive or negative reinforcement can be used to elicit a desired response.

      d) Negative reinforcement should not be confused with punishment, which is designed to discourage behavior.

Forgetting and extinction—when a learned response is no longer reinforced, it diminishes to the point of extinction; that is, to the point at which the link between the stimulus and the expected reward is eliminated.

   a) Forgetting is often related to the passage of time; this is known as the process of *decay*.

   b) Marketers can overcome forgetting through repetition and can combat extinction through the deliberate enhancement of consumer satisfaction.

Strategic Applications of Instrumental Conditioning

1. The objective of all marketing efforts should be to maximize customer satisfaction.

2. Aside from the experience of using the product itself, consumers can receive reinforcement from other elements in the purchase situation, such as the environment in which the transaction or service takes place, the attention and service provided by employees, and the amenities provided.

   a) Some hotels provide reinforcement to guests in the form of small amenities.

   b) Most frequent shopper programs are based on enhancing positive reinforcement and encouraging continued patronage.

3. *Relationship marketing*—developing a close personalized relationship with customers—is another form of non-product reinforcement.

Reinforcement schedules—marketers have found that product quality must be consistently high and provide customer satisfaction with each use for desired consumer behavior to continue.

Marketers have identified three types of reinforcement schedules: **total (or continuous) reinforcement, systematic (*fixed ratio*) reinforcement,** and **random (*variable ratio*) reinforcement.**

Variable ratios tend to engender high rates of desired behavior and are somewhat resistant to extinction—perhaps because, for many consumers, hope springs eternal.

Shaping—the reinforcement of behaviors that must be performed by consumers before the desired behavior can be performed is called *shaping*.

a)   Shaping increases the probabilities that certain desired consumer behavior will occur.

Massed versus distributed learning—*timing* has an important influence on consumer learning.

b)   Question—should a learning schedule be spread out over a period of time (*distributed learning*), or should it be "bunched up" all at once (*massed learning*)?

The question is an important one for advertisers planning a media schedule because massed advertising produces more initial learning, although a distributed schedule usually results in learning that persists longer.

When advertisers want an immediate impact (e.g., to introduce a new product or to counter a competitors blitz campaign), they generally use a massed schedule to hasten consumer learning.

When the goal is long-term repeat buying on a regular basis, however, a distributed schedule is preferable.

A distributed scheduler with ads repeated on a regular basis, usually results in more long-term learning and is relatively immune to extinction.

Modeling or Observational Learning

Learning theorists have noted that a considerable amount of learning takes place in the absence of direct reinforcement, either positive or negative, through a process psychologists call *modeling or observational learning* (also called *vicarious learning*).

They observe how others behave in response to certain situations (stimuli), the ensuing results (reinforcement) that occur, and they imitate (model) the positively-reinforced behavior when faced with similar situations.

a)   Modeling is the process through which individuals learn behavior by observing the behavior of others and the consequences of such behavior.

b)   Their role models are usually people they admire because of such traits as appearance, accomplishment, skill, and even social class.

c)   Children learn much of their social behavior and consumer behavior by observing their older siblings or their parents.

Advertisers recognize the importance of observational learning in their selection of models, whether celebrities or unknowns.

Sometimes ads depict negative consequences for certain types of behavior.

d)   This is particularly true of public policy ads, which may show the negative consequences of smoking, of driving too fast, or taking drugs.

Cognitive Learing Theory

Not all learning is the result of repeated trials.

a)   Learning also takes place as the result of consumer thinking and problem solving.

Cognitive learning is based on mental activity.

Cognitive learning theory holds that the kind of learning most characteristic of human beings is problem solving, and it gives some control over their environment.

Information Processing

The human mind processes the information it receives as input much as a computer does.

a)   *Information processing* is related to both the consumer's cognitive ability and the complexity of the information to be processed.

Individuals differ in terms of their ability to form mental images and in their ability to recall information.

The more experience a consumer has with a product category, the greater his or her ability to make use of product information.

How Consumers Store, Retain, and Retrieve Information

The structure of memory—because information processing occurs in stages, it is believed that content is stored in the memory in separate storehouses for further processing; a sensory store, a short-term store, and a long-term store.

Sensory store—all data comes to us through our senses, however, our senses do not transmit information as whole images.

a)   The separate pieces of information are synchronized as a single image.

b)   This sensory store holds the image of a sensory input for just a second or two.

c)   This suggests that it's easy for marketers to get information into the consumer's sensory store, but hard to make a lasting impression.

Short-term store—if the data survives the sensory store, it is moved to the short-term store.

d)   This is our working memory.

e)   If *rehearsal*—the silent, mental repetition of material—takes place, then the data is transferred to the long-term store.

f)   If data is not rehearsed and transferred, it is lost in a few seconds.

Long-term store—once data is transferred to the long-term store it can last for days, weeks, or even years.

Rehearsal and encoding—the amount of information available for delivery from the short-term store to the long-term

store depends on the amount of rehearsal an individual gives to it.

g) **Encoding** is the process by which we select and assign a word or visual image to represent a perceived object.

h) Learning visually takes less time than learning verbal information.

i) How much consumers encode depends on their cognitive commitment to the intake of the information and their gender.

Information overload takes place when the consumer is presented with too much information.

j) It appears to be a function of the amount of information and time frame of that information.

k) There are contradictory studies on what constitutes overload.

l) The difficulty is determining the point of "overload."

Retention—information is constantly organized and reorganized as new links between chunks of information are forged.

m) In fact, many information-processing theorists view the long-term store as a network consisting of nodes (i.e., concepts) with links among them.

n) As individuals gain more knowledge they expand their network of relationships, and sometimes their search for additional information.

o) This process is known as *activation*, which involves relating new data to old to make the material more meaningful.

p) The total package of associations brought to mind when a cue is activated is called a *schema.*

q) Research has found that older adults appear to be more reliant on schema-based information processing strategies than younger adults.

r) Consumers' information search is often dependent upon how similar or dissimilar (discrepant) presented products are to product categories already stored in memory.

i) Consumers recode what they have already encoded to include larger amounts of information (chunking).

s) The degree of prior knowledge is an important consideration.

t) Knowledgeable consumers can take in more complex chunks of information than those who are less knowledgeable in the product category.

u) Information is stored in long-term memory in two ways: *episodically* (i.e., by the order in which it is acquired) and *semantically* (according to significant concepts).

v) Many learning theorists believe that memories stored semantically are organized into frameworks by which we integrate new data with previous experience.

Retrieval is the process by which we recover information from long-term storage.

w) A great deal of research is focused on how individuals retrieve information from memory.

x) Studies show that consumers tend to remember the product's benefits, rather than its attributes.

y) Motivated consumers are likely to spend time interpreting and elaborating on information they find relevant to their needs; and are likely to activate such relevant knowledge from long-term memory.

z) Research findings suggest that incongruent (e.g. unexpected) elements pierce consumers' perceptual screens and improve the memorability of an ad when these elements are relevant to the advertising message.

aa) Incongruent elements that are not relevant to an ad also pierce the consumer's perceptual screen but provide no memorability for the product.

Interference effects are caused by confusion with competing ads and result in a failure to retrieve.

bb) Advertisements for competing brands or for other products made by the same manufacturer can lower the consumer's ability to remember advertised brand information.

cc) There are actually two kinds of interference.

i) New learning can interfere with the retrieval of previously stored material.

ii) Old learning can interfere with the recall of recently learned material.

Limited and Extensive Information Processing

For a long time, consumer researchers believed that all consumers passed through a complex series of mental and behavioral stages in arriving at a purchase decision *(extensive information processing).*

a) These stages ranged from awareness (exposure to information), to evaluation (preference, attitude formation), to behavior (purchase), to final evaluation (adoption or rejection). This same series of stages is often presented as the consumer adoption process.

Some theorists began to realize that there were some purchase situations that simply did not call for extensive information processing and evaluation; that sometimes consumers simply went from awareness of a need to a routine purchase, without a great deal of information search and mental evaluation *(limited information processing).*

Purchases of minimal personal importance were called low-involvement purchases, and complex, search-oriented purchases were considered high-involvement purchases.

Involvement Theory

Involvement theory developed from research into *hemispherical lateralization* or split-brain theory.

a) The premise is that the right and left hemispheres of the brain specialize in the kinds of information they process.

b) The left hemisphere is responsible for cognitive activities such as reading, speaking, and attribution information processing.

c) The right hemisphere of the brain is concerned with nonverbal, timeless, pictorial, and holistic information.

Involvement Theory and Media Strategy

Individuals *passively* process and store right-brain information.

a) Because it is largely pictorial, TV viewing is considered a right hemisphere activity.

b) *Passive learning* was thought to occur through repeated exposures to low-involvement information.

   i) TV commercials were thought to produce change in consumer behavior before it changed consumer attitudes.

c) The left hemisphere is associated with high-involvement information.

i) Print media (newspapers and magazines) are considered left hemisphere or high-involvement activity.

Right-brain theory is consistent with classical conditioning and stresses the importance of the *visual component* of advertising.

d) Recent research suggests that pictorial cues help recall and familiarity, although verbal cues trigger cognitive functions, encouraging evaluation.

e) The right-brain processing theory stresses the importance of the visual component of advertising, including the creative use of symbols.

f) Pictorial cues are more effective at generating recall and familiarity with the product, although verbal cues (which trigger left-brain processing) generate cognitive activity that encourages consumers to evaluate the advantages and disadvantages of the product.

There are limitations to split-brain theory.

Research suggests the spheres of the brain do not always operate independently of each other, but work together to process information.

There is evidence that both sides of the brain are capable of low- and high-involvement.

It does seem the right side is more cognitively oriented and the left side more affectively oriented.

Involvement Theory and Consumer Relevance

A consumer's level of involvement depends on the degree of personal relevance that the product holds for the consumer.

a) *High-involvement* purchases are those that are very important to the consumer in terms of perceived risk.

b) *Low-involvement* purchases are purchases that are not very important to the consumer, hold little relevance, and little perceived risk.

Highly involved consumers find fewer brands acceptable (they are called *narrow categorizers*); uninvolved consumers are likely to be receptive to a greater number of advertising messages regarding the purchase and will consider more brands (they are *broad categorizers*).

Central and Peripheral Routes to Persuasion

Central and peripheral routes to persuasion—the central premise is that consumers are more likely to weigh information carefully about a product and to devote considerable cognitive effort to evaluating it when they are highly involved with the product category and vice versa.

a) Use of the central route to persuasion is more effective in marketing for high-involvement purchases.

b) The peripheral route to persuasion is more effective for low-involvement purchases.

The *elaboration likelihood model (ELM)* suggests that a person's level of involvement during message processing is the critical factor in determining the most effective route of persuasion.

c) Thus, when involvement is high, consumers follow the central route and base their attitudes or choices on the message arguments.

d) When involvement is low, they follow the peripheral route and rely more heavily on other message elements to form attitudes or make product choices.

The marketing implications of the elaboration likelihood model are clear:

e) For high-involvement purchases, marketers should use arguments stressing the strong, solid, high-quality attributes of their products—thus using the central (i.e., highly cognitive) route.

f) For low-involvement purchases, marketers should use the peripheral route to persuasion, focusing on the method of presentation rather than on the content of the message (e.g., through the use of celebrity spokespersons or highly visual and symbolic advertisements).

Measures of Involvement

Researchers have defined and conceptualized involvement in a variety of ways including ego involvement, commitment, communication involvement, purchase importance, extent of information search, persons, products situations, and purchase decisions.

a) Some studies have tried to differentiate between brand involvement and product involvement.

b) Others differentiate between situational, enduring, and response involvement.

The lack of a clear definition about the essential components of involvement poses some measurement problems.

c) Researchers who regard involvement as a cognitive state are concerned with the measurement of ego involvement, risk perception, and purchase importance.

d) Researchers who focus on the behavioral aspects of involvement measure such factors as the search for and evaluation of product information.

e) Others argue that involvement should be measured by the degree of importance the product has to the buyer.

Because of the many different dimensions and conceptualizations of involvement, it makes sense to develop an *involvement profile*, rather than to measure a single involvement level.

Marketing Applications of Involvement

Involvement theory has a number of strategic applications for the marketer.

f) The left-brain (cognitive processing)/right-brain (passive processing) paradigm seems to have strong implications

for the content, length, and presentation of both print and television advertisements.

g) By understanding the nature of low-involvement information processing, marketers can take steps to increase consumer involvement with their ads.

Measures of Consumer Learning

Market share and the number of brand-loyal consumers are the dual goals of consumer learning.

a) Brand-loyal customers provide the basis for a stable and growing market share.

b) Brands with larger market shares have proportionately larger groups of loyal buyers.

Recognition and Recall Measures

Recognition and recall tests are conducted to determine whether consumers remember seeing an ad, the extent to which they have read it or seen it and can recall its content, their resulting attitudes toward the product and the brand, and their purchase intentions.

a) Recognition tests are based on *aided recall*, although recall tests use *unaided recall*.

b) In recognition tests, the consumer is shown an ad and asked whether he or she remembers seeing it and can remember any of its salient points.

c) In recall tests, the consumer is asked whether he or she has read a specific magazine or watched a specific television show, and if so, can recall any ads or commercials seen, the product advertised, the brand, and any salient points about the product.

Cognitive Responses to Advertising

Comprehension is a function of the message characteristics, the consumer's opportunity and ability to process the information, and the consumer's motivation (or level of involvement).

To ensure a high level of comprehension, many marketers conduct **copy testing** either *before* the advertising is actually run in media (called **pre-testing**) or *after it* appears (**post-testing**).

Pre-tests are used to determine which, if any, elements of an advertising message should be revised before major media expenses are incurred.

Post-tests are used to evaluate the effectiveness of an ad that has already run, and to identify which elements, if any, should be changed to improve the impact and memorability of future ads.

Attitudinal and Behavioral Measures of Brand Loyalty

Brand loyalty is the ultimate desired outcome of consumer learning.

a) There is no single definition of this concept.

Attitudinal measures are concerned with consumers' overall feelings (i.e., evaluation) about the product and the brand, and their purchase intentions.

Behavioral measures are based on observable responses to promotional stimuli—purchase behavior, rather than attitude toward the product or brand.

A basic issue among researchers is whether to define brand loyalty in terms of consumer behavior or consumer attitudes.

b) *Behavioral* scientists who favor the theory of instrumental conditioning believe that brand loyalty results from an initial product trial that is reinforced through satisfaction, leading to repeat purchase.

c) *Cognitive* researchers, on the other hand, emphasize the role of mental processes in building brand loyalty.

They believe that consumers engage in extensive problem-solving behavior involving brand and attribute comparisons, leading to a strong brand preference and repeat purchase behavior.

To cognitive learning theorists, behavioral definitions (e.g., frequency of purchase or proportion of total purchases) lack precision, because they do not distinguish the "real" brand-loyal buyer.

Often consumers buy from a mix of brands within their acceptable range (i.e., their **evoked set**).

An integrated conceptual framework views consumer loyalty as the relationship between an individual's relative attitude toward an entity (brand, service, store, or vendor) and patronage behavior.

The consumer's relative attitude consists of two dimensions:

d) The strength of the attitude.

e) The degree of attitudinal differentiation among competing brands.

Some theorists suggest that brand loyalty is correlated with the consumer's degree of involvement:

f) High involvement leads to extensive information search and, ultimately, to brand loyalty.

g) Low involvement leads to exposure and brand awareness, and then possibly to brand habits.

As a customer's satisfaction with a product increases along with repeat purchases, the search for information about alternative brands decreases.

Brand Equity

Brand equity refers to the value inherent in a well-known brand name.

From a consumer's perspective, brand equity is the added value bestowed on the product by the brand name.

Brand equity facilitates the acceptance of new products and the allocation of preferred shelf space, and enhances perceived value, perceived quality, and premium pricing options.

For many companies, their most valuable assets are their brand names.

Well known brand names are known as **megabrands**.

Because a brand that has been promoted heavily in the past retains a cumulative level of name recognition, companies buy, sell, and rent (i.e., license) their brand names, knowing that it is easier to buy than to create a brand name with enduring strength.

Brand equity enables companies to charge a price premium—an additional amount over and above the price of an identical store brand.

A relatively new strategy among some marketers is *co-branding* (also called double branding).

In co-branding, two brand names are featured on a single product.

It uses another product's brand equity to enhance the primary brand's equity.

Some experts believe that using a second brand's equity may imply that the host brand can no longer stand on its own.

Others question whether a co-branded product causes consumer confusion as to who actually makes the product, and whether the host brand can survive if the second brand endorsement is taken away.

Brand equity is important to marketers because it leads to brand loyalty, which in turn leads to increased market share and greater profits.

To marketers, the major function of learning theory is to teach consumers that their product is best, to encourage repeat purchase, and, to develop loyalty to the brand name.

Discussion Questions

1. How can the principles of a) classical conditioning theory and b) instrumental conditioning **theory be applied to the development of marketing strategies?**

2. Describe in learning terms the conditions under which family branding is a good policy and those under which it is not.

4. Which theory of learning (i.e., classical conditioning, instrumental conditioning, observational learning, or cognitive learning) best explains the following consumption behaviors: (a) buying a six-pack of Bisleri water, (b) preferring to purchase clothes at the Benetton store, (c) buying a digital camera for the first time, (d) buying a new car, and (e) switching from one cellular phone service to another? Explain your choices.

Learning Process	User	Payer	Buyer
Cognitive learning	User learns about the use of products and services by reading about them	Payer learns about used-car prices from the used-car price book	Buyers learn about new stores by word of mouth and about brand ratings from choice etc.
Classical conditioning	Food preferences are acquired in early childhood	Perceived fairness of price levels is classically conditioned.	Buyers are conditioned through patronage of the same vendors.
Instrumental conditioning	Users adopt new products and services if they find them beneficial.	Payers 'buy cheap' at first, then experience shoddy performance and learn to 'invest' more.	Buyers learn they can get better terms by changing vendors.
Modelling	Users model their clothing and car choice after people they admire.	Budgeting decisions mirror those of admired companies. Payers learn norms for tipping by observing others.	Buyers may switch preferences to stores and vendors that are trendy.
Adoption of innovation	Users adopt product and service feature innovations	Payers adopt financing innovations like credit cards, leasing etc.	Buyers adopt purchase procedure innovations like buying through the internet.

The Three Customer roles

Fig 5.1   The learning processes among the customer roles

Figure 5.1 above shows how the different learning processes vary for the different roles that customer that plays.

	BEHAVIORIST	COGNITIVIST
Definition of learning	Change in behaviour based on experience	Process of gaining or changing insights, outlooks, or through patterns
Conditions that influence learning	Environment	Needs, interests, feelings, etc. of learner. S-R
Learning process	Conditioning in small steps. Reinforcement	Discovery. S-O-R
Central argument	We can't know students have learned unless we can measure changes in observed behavior.	Something must go on inside the learner that can't be measured, but must be inferred from observed behavior. There is more to learning than just observed behavior

4.3 Comparison of Learning Theories

Key Terms

- Cognitive Learning
- Classical Conditioning
- Instrumental conditioning
- Modeling
- Behaviorism
- Constructivism
- Social Learning
- Locus of Control
- Social Reinforcement
- Self Reinforcement
- Vicarious Emotional Arousal
- Vicarious Reinforcement
- Semantic Generalization
- Rule-based learning
- Observational learning
- Behaviorist Theory
- Learning Process
- Transfer of learning

Learning
Article # 1

The Writing on the Mall
Evolution, not revolution. The Indian retailer is brimming with ideas, but is still on the learning curve. Here's a reality check on where retail is headed.

WELL then, is the retail boom happening or not? The past two years have thrown up as many answers as questions. The numbers have boggled minds, estimates have varied, existing big-time retailers have bled, and projections have fallen short. Most importantly, the lessons have been learnt.

While the Big Daddies are doing a rethink on strategy, and trial, error, experimentation and caution are the new buzzwords, the path has been paved - retail in India is undoubtedly on its way

to slicker evolution. Slower than expected, perhaps, but on track all right.

"The implications for retailers," outlines Arvind Singhal, Chairman, KSA Technopak, "are to rethink value propositions, recast business plans, take clear focus on specific consumer segments and unmet consumer demands and expand carefully, confidently and ambitiously."

"Organised retail is moving in concentric circles," observes R. Subramanian, Director, and Subhiksha Trading Services, of the Chennai-based supermarket and pharmacy chain, which has created a copybook success for itself in Tamil Nadu.

The shining examples set by South-based chains such as Nilgiris, Subhiksha, FoodWorld, Vivek's, Margin Free and the RPG group's other retail ventures such as the Giant hypermarket and Health & Glow are being replicated by the rest of India, but gradually. In fact, slow and steady is the rule even for successful Southern chains wanting to move up North. Margin Free, the Kerala-based retail chain which has scripted a reasonable success story in Kerala and Tamil Nadu, would have liked to come up North earlier if it wasn't for steep real estate costs, says Imam Salih, Chief Executive, Margin Free Market.

The Bangalore-based Nilgiris Franchise has begun to look for franchisees in Delhi, Mumbai and Kolkata, "but the right location and right partners are absolutely essential", says C. Gopalakrishnan, Managing Director, Nilgiris. Of the 26 stores that the chain operates, six are company-owned and 20 are franchised.

Explains R.S. Roy, Managing Editor, *Images*, a fashion, marketing and retail magazine, "Expansion plans are now more realistic. The figures for Indian retail are small, but they are attractive enough to invite the investor's attention."

And while foreign direct investment in retail has been ruled out in the Union Budget 2002, it's doesn't really come in the way of expansion, feel industry observers.

The mood will turn positive in 2002, but the impact will be felt in 2003, predicts KSA Technopak's recently-released 4th *Consumer Outlook* 2002 report. According to Rajan Chibba, Managing Director, KSA Technopak, while consumerism continued to grow last year (indicated by the number of consumers entering the market for any category), per capita spend for each category fell across the board mainly due to competitive pressures. The study shows a 33 per cent increase in the number of new consumers entering a category in year 2001 against last year.

The Lessons Learnt

While one key learning has been that it's category-specific retailing that impresses the consumer, another has been that catchment areas are shrinking. So while food and fashion retailing have succeeded, consumers now seek convenient locations to shop (with the exception of apparel shopping). Therefore, Bombay Store is now at a strategic airport location in Mumbai. Says Asim Dalal, Managing Director, Bombay Store, "We may go international in the long run, but the pace of activity here is satisfactory."

Yet another learning has been that consumer niches are beginning to drive the market and are becoming more impor-

tant, with positive and negative sub-segments of consumers gaining significance. The growth accelerator last year, for example, has decidedly been the working woman with the average money spent by her averaging 1.3 times that of a housewife.

Elaborating on the category pattern that seems to have emerged over the past one year, KSA's Singhal points out that it is the traditional channels that continue to dominate the retail industry. Therefore, while grocery, home appliances, consumer electronics and eating out continue to be the safest bet for a retailer, here's the big surprise - retailing of personal care products, clothing, and books and music isn't really hot property any more.

Also, private labels by retailers are not only coming of age, they are giving conventional players a breathless run for their money, especially in foods and clothing. Explains Subhiksha's Subramanian, "Stocking a private label is a natural incentive for a retailer, especially in agri-commodities like rice, dal, wheat and spices." The chain is now considering introducing its own line of in-store brands.

And it is value retailing that primarily seems to be enhancing the lifetime value of the product. "A one-stop shop is an easy route to success. However, this kind of shop will only succeed if it caters to the right kind of products," cautions Chibba.

According to the just-released *Images Retail* study, the food and fashion-related industry will together account for 85 per cent of organised retailing - which is projected to touch Rs 14,250 crore in 2002 (within the private sector).

The *Images* study predicts that the next two years will witness an investment of Rs 1,000 crore for retail expansions. Also, expect some 15 hypermarkets, 20 large format department stores, 10 large supermarkets, and 1,500 brand chains of which 80 per cent will be in 40 key cities. Existing hypermarkets include Giant, Big Bazaar and Metro Sabka Bazaar.

The best examples in the food sector remain FoodWorld of RPG, Nilgiris, Subhiksha, and Sabka Bazaar from the Home Stores group. Barista, Qwiky's, Milkfood's Cafe 100, McDonald's, Baskin Robbins, Nirula's, Movenpick, Subway & Company are expected to contribute in decent numbers to food retailing.

Clothing retail giants such as Shoppers' Stop, Pantaloon, Ebony, Westside and Globus continue to expand, but very cautiously owing to the huge investment and the huge risk factor involved. As Sriram Srinivasan, Managing Director, Indus League Clothing Ltd, says, his company will look "at all kinds of retail formats" for its two brands - Indigo Nation and Scullers - before investing the big bucks.

The optimism exists, but so does caution. Take the Body Shop, which sells a product every 0.4 seconds worldwide. It is doing its bit of soul searching before going the whole hog in India. Says Peter Tyson, Head of retail and franchising, Asia Pacific, The Body Shop International Plc., "It is quite a challenge to enter this market. Quite a few retailers here have overestimated the buying power of the emerging middle class."

As Singhal surmises, the need is to invest more in processes and systems development, logistics, supply chain management

and customer relationships. "It's the usual management jargon, but unfortunately not always understood and practiced," he says.

The writing on the mall is clear - the consumer will shop, but she wants range, efficiency, displays and price deals in her shopping basket first.

Points To Remember

Importance of Learning

■ Marketers must teach consumers:
– where to buy
– how to use
– how to maintain
– how to dispose of products

Consumer Learning

A process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior.

Learning Theories

■ **Behavioral Theories:** Theories based on the premise that learning takes place as the result of observable responses to external stimuli. Also known as *stimulus response theory.*

■ **Cognitive Theories:** A theory of learning based on mental information processing, often in response to problem solving.

Learning Processes

■ **Intentional**: learning acquired as a result of a careful search for information

■ **Incidental**: learning acquired by accident or without much effort

Elements of Learning Theories

- Motivation
  - Cues
- Response
- Reinforcement

Behavioral Learning Theories

- Classical Conditioning
- Instrumental Conditioning
- Modeling or Observational Learning

Reinforcement	A positive or negative outcome that influences the likelihood that a specific behavior will be repeated in the future in response to a particular cue or stimulus.

Classical Conditioning	A behavioral learning theory according to which a stimulus is paired with another stimulus that elicits a known response that serves to produce the same response when used alone.

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Instrumental (Operant) Conditioning	A behavioral theory of learning based on a trial-and-error process, with habits forced as the result of positive experiences (reinforcement) resulting from certain responses or behaviors.

Figure 7.2A Pavlovian Model of Classical Conditioning

Unconditioned Stimulus Meat paste	
Conditioned Stimulus Bell	Unconditioned Response Salivation

AFTER REPEATED PAIRINGS

Conditioned Stimulus Bell	→	Conditioned Response Salivation
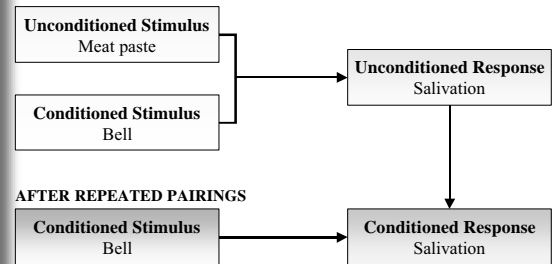
Cognitive Associative Learning

- Classical conditioning is viewed as the learning of associations among events that allows the organism to anticipate and represent its environment.
- From this viewpoint, classical conditioning is not reflexive action, but rather the acquisition of new knowledge

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Neo-Pavlovian Conditioning

- Forward Conditioning (CS Precedes US)
- Repeated Pairings of CS and US
- A CS and US that Logically Belong to Each Other
- A CS that is Novel and Unfamiliar
- A US that is Biologically or Symbolically Salient

Strategic Applications of Classical Conditioning

- Repetition
- Stimulus Generalization
- Stimulus Discrimination

Three-Hit Theory

- Repetition is the basis for the idea that three exposures to an ad are necessary for the ad to be effective
- The number of actual repetitions to equal three exposures is in question.

Repetition

- Repetition increases strength of associations and slows forgetting but over time may result in *advertising wearout.*
- *Cosmetic variations* reduce satiation.

ABSOLUT LATEST.

Stimulus Generalization	The inability to perceive differences between slightly dissimilar stimuli.

Stimulus Generalization and Marketing

- Product Line, Form and Category Extensions
- Family Branding
- Licensing
- Generalizing Usage Situations

Figure 7.10 A Model of Instrumental Conditioning
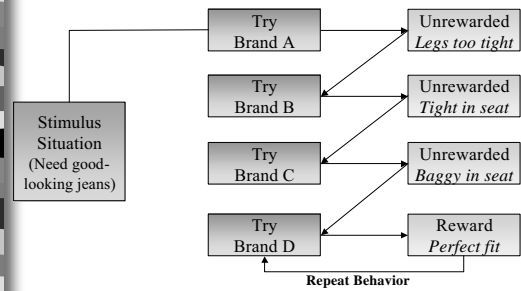
Stimulus Discrimination	The ability to select a specific stimulus from among similar stimuli because of perceived differences.
Positioning	
Differentiation	

Instrumental Conditioning

- Consumers learn by means of trial and error process in which some purchase behaviors result in more favorable outcomes (rewards) than other purchase behaviors.
- A favorable experience is instrumental in teaching the individual to repeat a specific behavior.

Instrumental Conditioning and Marketing

- Customer Satisfaction (Reinforcement)
- Reinforcement Schedules
  - Shaping
- Massed versus Distributed Learning

Reinforcement

- **Positive Reinforcement**: Positive outcomes that strengthen the likelihood of a specific response
- Example: Ad showing beautiful hair as a reinforcement to buy shampoo

- **Negative Reinforcement:** Unpleasant or negative outcomes that serve to encourage a specific behavior
- Example: Ad showing wrinkled skin as reinforcement to buy skin cream

Other Concepts in Reinforcement

- Punishment
  - Choose reinforcement rather than punishment
- Extinction
  - Combat with consumer satisfaction
- Forgetting
  - Combat with repetition

Observational Learning	A process by which individuals observe the behavior of others, and consequences of such behavior. Also known as modeling or vicarious learning.

Cognitive Learning Theory	Holds that the kind of learning most characteristic of human beings is problem solving, which enables individuals to gain some control over their environment.

Figure 7.13 Information Processing and Memory Stores

Sensory Input	Sensory Store	Rehearsal	Working Memory (Short-term Store)	Encoding	Long-term Store	Retrieval
	Forgotten; lost		Forgotten; lost		Forgotten; unavailable	
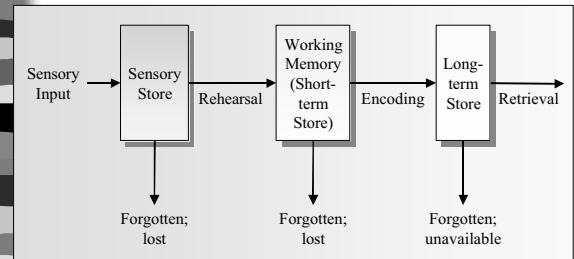
Information Processing	A cognitive theory of human learning patterned after computer information processing that focuses on how information is stored in human memory and how it is retrieved.

Retention

- Information is stored in long-term memory
  - *Episodically*: by the order in which it is acquired
  - *Semantically*: according to significant concepts

Table 7.1 Models of Cognitive Learning

	Promotional Model	Tricompetent Model	Decision-Making Model	Innovation Adoption Model	Innovation Decision Process
Sequential Stages of Processing	Attention	Cognitive	Awareness Knowledge	Awareness	
					Knowledge
	Interest Desire	Affective	Evaluation	Interest Evaluation	Persuasion
	Action	Conative	Purchase Postpurchase Evaluation	Trial Adoption	Decision Confirmation

---

Involvement Theory	A theory of consumer learning which postulates that consumers engage in a range of information processing activity from extensive to limited problem solving, depending on the relevance of the purchase.

Issues in Involvement Theory

- Involvement Theory and Media Strategy
- Involvement Theory and Consumer Relevance
- Central and Peripheral Routes to Persuasion
- Measures of Involvement

Central and Peripheral Routes to Persuasion	A theory that proposes that highly involved consumers are best reached through ads that focus on the specific attributes of the product (the central route) while uninvolved consumers can be attracted through peripheral advertising cues such as the model or the setting (the peripheral route).

Elaboration Likelihood Model (ELM)	A theory that suggests that a person's level of involvement during message processing is a critical factor in determining which route to persuasion is likely to be effective.

Measures of Consumer Learning

- Recognition and Recall Measures
  - Aided and Unaided Recall
- Cognitive Responses to Advertising
- Copytesting Measures
- Attitudinal and Behavioral Measures of Brand Loyalty

The Elaboration Likelihood Model

Involvement

HIGH   LOW

Central Route

Peripheral Route

Message Arguments Influence Attitudes

Peripheral Cues Influence Attitudes
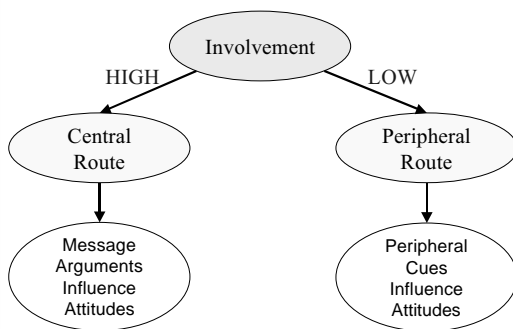
Phases of Brand Loyalty

- Cognitive
- Affective
- Conative
- Action

Figure 7.19
Brand Loyalty As A Function of *Relative Attitude* and *Patronage Behavior*

		Repeat Patronage	
		High	**Low**
Relative Attitude	**High**	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Notes

LESSON 14:
TUTORIAL

I. Discuss a recent product purchase you regard as high involvement and another one you view as low involvement with three classmates. Do they agree with your selections? Describe how their points of view may be related to

    a.   Brand loyalty

    b.   Frequency of use

    c.   Price paid

    d.   Perceived risk associated with the purchase

5.a. **Define the following memory structures: sensory** store, short-term store (working memory), and long-term store. Discuss how each of these concepts can be used in the **development of an advertising strategy.**

LESSON 15:
CONSUMER ATTITUDES

Introduction

We as individuals learn attitudes through experience and interaction with other people.

Our attitudes toward a firm and its products as consumers greatly influence the success or failure of the firm's marketing strategy. Attitudes and attitude change are influenced by consumer's personality and lifestyle. Consumers screen information that conflicts with their attitudes. We distort information to make it consistent and selectively retain information that reinforces our attitudes, in other words, brand loyalty.

But, there is a difference between attitude and intention to buy (ability to buy).

For instance, Honda, dispelled the unsavory image of a motorbike rider, in the late 1950s with the slogan "You meet the nicest people on a Honda". But with the changing market of the 1990s, and baby boomers aging, Hondas market was returning to hard core. To change this they have a new slogan "Come ride with us".

Through acting and learning, people acquire beliefs and attitudes, which in turn, influence their buying behaviour. A **BELIEF** is a descriptive thought that a person holds about something. A customer may believe that Taj group of Hotels have the best facilities and most professional staff of any hotel in the price range. These beliefs may be based on real knowledge, opinion, or faith. They may or may not carry an emotional charge.

Marketers are interested in the beliefs that people have about specific products and services. Beliefs reinforce product and brand images. People act on beliefs. If unfounded customer beliefs deter purchases marketers will want to do a campaign to change them.

Unfounded consumer beliefs can severely affect the revenue and even the life of hospitality and travel companies. Among these beliefs might be the following:

- A particular hamburger chain served ground kangaroo meat.
- A particular hotel served as Mafia headquarters.
- A particular airline has poor maintenance.
- A particular country has unhealthy food-handling standards.

People have attitudes about almost everything: religion, politics, clothes, music and food.

Objectives

After going through this lesson, you should be able to

- Describe attitude in terms of its four elements.
- Discuss the structural models of attitude: tricomponent, multi-attribute, trying-to-consume, and attitude-toward-the-ad.

- Describe the tricomponents of the tricomponent attitude model.
- Compare the tricomponent attitude model and the multi-attribute attitude models.

1. Attitudes

An **attitude** describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or an idea. Attitudes put people into a frame of mind for liking or disliking things and moving toward or away from them.

For example, many people who have developed the attitude that eating healthy food is important perceive vegetables as a healthy alternative to meat and chicken. As a result, the per capita consumption of vegetables has increased during recent years, leading the neat and chicken Producers Council to try to change consumer attitudes that chicken and meat are unhealthy. Companies can benefit by researching attitudes toward their products. Understanding attitudes and beliefs is the first step toward changing or reinforcing them.

Attitudes are very difficult to change. A person's attitudes fit into a pattern, and changing one attitude may require making many difficult adjustments. It is easier for a company to create products that are compatible with existing attitudes than to change the attitudes toward their products. There are exceptions, of course, where the high cost of trying to change attitudes may pay off.

There is a saying among restaurateurs that a restaurant is only as good as the last meal served. Attitudes explain in part why this is true. A customer who has returned to a restaurant several times and on one visit receives a bad meal may begin to believe that it is impossible to count on having a good meal at that restaurant. The customer's attitudes toward the restaurant begin to change. If this customer again receives a bad meal, negative attitudes may be permanently fixed and prevent a future return. Serving a poor meal to first-time customers can be disastrous. Customers develop an immediate negative attitude that prevents them from returning.

Attitudes developed as children often influence purchases as adults. Children may retain negative attitudes toward certain vegetables, people, and places. Chances are equally good that they may retain very positive images toward McDonald's and Disneyland.

Disney and McDonald's both view children as lifelong customers. They want children to return as teenagers, parents, and grandparents and treat them in a manner to ensure future business. Many hospitality and travel companies have still not learned from those two examples.

However, once negative attitudes are developed, they are hard to change. New restaurant owners often want quick cash flow and sometimes start without excellent quality. A new restaurateur complained that customers are fickle. A few months later after

the restaurant was opened, the owner had plenty of empty seats every night. Obviously, he had not satisfied his first guests. Even though he may have subsequently corrected his early mistakes, his original customers who had been disappointed, were not returning.

We can now appreciate the many individual characteristics and forces influencing consumer behaviour. Consumer choice is the result of a complex interplay of cultural, social, personal, and psychological factors. We as marketers cannot influence many of these; however, they help the marketer to better understand customer's reactions and behaviour.

Attitudes are defined as a mental predisposition to act that is expressed by evaluating a particular entity with some degree of favor or disfavor.

The value of attitude in marketing can be explained in terms of its importance in prediction, diagnostic value and also as relatively inexpensive information that is easily obtained.

1. Models of Attitude

We will now look at the various models of attitudes. But before looking at these models, we have to understand the fact that many a times our attitudes depend on the situations. For example, in figure 6.2 we identify certain products and see how the specific situation shave made us form the said attitude.

Product	Situation	Attitude
Monaco Biscuits	Party going on and ordered snacks haven't arrived.	" I need to serve an instant substitute for snacks".
Vicks Action-500	Suffering from blocked nose And headache	"You need to take a double action tablet to get immediate relief".
Maxima Watches	Watch slipped from hand and Fell into water.	"There is nothing to worry since its an economical water proof wrist watch".
Complan	Mothers worried about children not taking balanced food.	"There is the need for giving children a planned food".
Ariel micro shine	Husband has to wash a pile of dirty clothes, when his wife is away from home	"You need to use an easy to use, very e powder".

Fig 6.2 Situations influencing attitudes

Structural models of attitudes: To understand the relationships between attitudes and behaviour, psychologists have tried to develop models that capture the underlying dimensions of attitude. To serve this purpose, the focus has been on specifying the composition of an attitude to better explain or predict behaviour. The following section describes some important attitude models like *tricomponent attitude model*, the *multiattribute models*, the *trying to consume model*, and the *attitude-toward-the-ad model*. All the above-mentioned models present different perspectives on the number of component parts of an attitude and how these parts are arranged or interrelated.

2.1 Tricomponent Attitude Model

According to the tricomponent attitude model, attitude consists of three major components, viz., a cognitive component, an affective component, and a conative component.
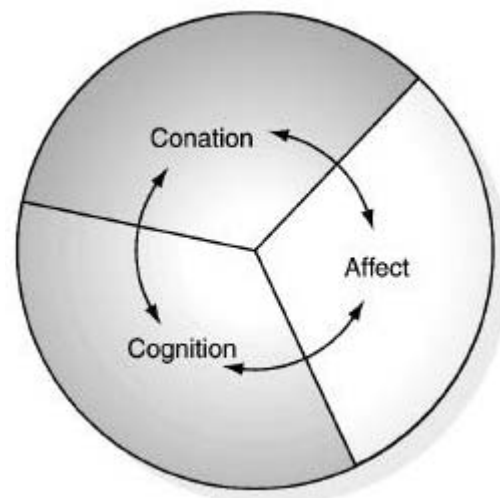
Fig 6.3 Tricomponent attitude model

a. a) **The cognitive component:** The cognitive component consists of a person's cognitions, i.e., knowledge and perceptions (about an object). This knowledge and resulting perceptions commonly take the form of beliefs, images, and long-term memories. A *utility function* representing the weighted product of attributes and criteria would be used to develop the final ranking and thus choice. This model represents the process used by individuals with a strong Thinking Cognitive Style.

b. **b) The affective component**: The affective component of an attitude comprises of the consumers emotions or feelings (toward an object). These emotions or feelings are frequently treated by consumer researchers as primarily evaluative in nature; i.e., they capture an individual's direct or global assessment of the attitude-object, which might be positive, negative, or mixed reaction consisting of our feelings about an object. Buying of any product or service would be accomplished on the basis of how each product/service makes the decision maker feel. The product that evokes the greatest positive (pleasurable) affective response would thus be ranked first. The affective response may be derived through association (i.e, category attributes) or directly attributed to the interaction between the product or service and the decision maker. It is believed that the manner in which the product/service affirms or disaffirms the self concept of the decision maker has a strong impact to the decision maker's affect response to the candidate. This model represents the process used by individuals with a strong Feeling Cognitive Style. Ordering of the three job candidates would be accomplished on the basis of how each candidate makes the decision maker feel. The candidate that evokes the greatest positive (pleasurable) affective response would thus be ranked first. The affective response may be derived through association (i.e, category attributes) or directly attributed to the interaction between the candidate and the decision maker. It is believed that the manner in which the candidate affirms or disaffirms the self concept of the decision maker has a strong impact to the decision maker's affect response to the candidate.

c) **The conative component:** The conative component is concerned with the likelihood or tendency of certain behavior with regard to the attitude object. It would also mean the predisposition or tendency to act in a certain manner toward an object

2.2 Multiattribute Attitude Models

Multiattribute attitude models portray consumers' attitudes with regard to an attitude "object" as a function of consumers' perceptions and assessment of the key attributes or beliefs held with regard to the particular attitude "object". The three models, which are very popular, are: the attitude-toward-object model, the attitude-toward-behaviour model, and the theory-of-reasoned-action model.

1) **Attitude toward object model**. The attitude-toward-object model is suitable for measuring attitudes towards a product or service category or specific brands. This model says that the consumer's attitude toward a product or specific brands of a product is a function of the presence or absence and evaluation of certain product-specific beliefs or attributes. In other words, consumers generally have favorable attitudes toward those brands that they believe have an adequate level of attributes that they evaluate as positive, and they have unfavorable attitudes towards those brands they feel do not have an adequate level of desired attributes or have too many negative or undesired attributes. For instance, *you may like BMWs*

2) **Attitude toward behavior model**: This model is the individual's attitude toward the object itself. The crux of the attitude-towards-behaviour model is that it seems to correspond somewhat more closely to actual behaviour than does the attitude-toward-object model. *So taking on from liking a BMW, we may say you are not ready to buy/drive one because you believe that you are too young/old to do so*
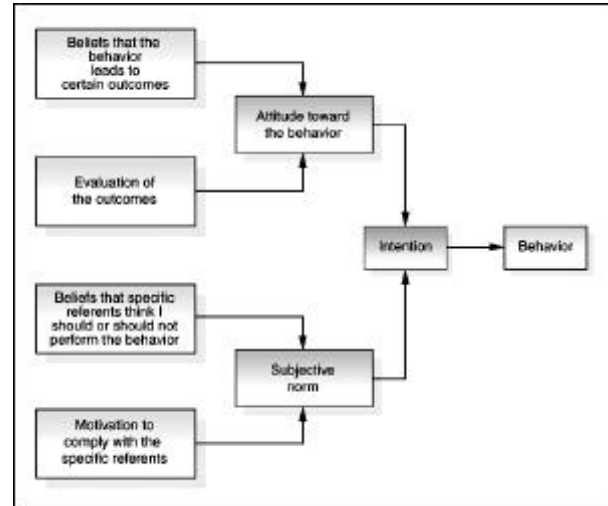
3) **Theory of reasoned-action-model**: This model represents a comprehensive integration of attitude components into a structure that is designed to lead to both better explanations and better predictions of behaviour. Similar to the basic tricomponent attitude model, the theory-of-reasoned-action model incorporates a cognitive component, an affective component, and a conative component; however these are arranged in a pattern different from that of the tricomponent model.

Fig 6.5 the theory Reasoned action

Source: Adapted from Icek Ajzen Martin Fishbein,
Understanding Attitudes and Predicting Social Behavior

To understand intention, in accordance with this model, we also need to measure the subjective norms that influence an individual's intention to act. A subjective norm can be measured directly by assessing a consumer's feelings as to what relevant others would think of the action being contemplated; i.e., would they look favorably or unfavorably on the anticipated action?

All this may sound very difficult, but we will illustrate this with an worked out example!

To the concept in better fashion, we will look at the **Fishbein's Multiattribute Model of Attitudes** with an example
MODEL: Ao = S biei ; i = 1 to n

- Ao = Attitude towards the object o (overall evaluation)
- bi = extent of belief that o possesses attribute i
- ei = evaluation of attribute i
- So, get relevant attributes for a product, (depth interview) measure b's and e's and get Ao

To illustrate let us look at an example. The example is that of measuring attitude towards **Athletic Shoes.** Thus we will try to measure attitude using the Fishbein's model.

Let's say, we identified 5 attributes (through depth interview):

1. –"Shock-absorbance";
2. –"Durability";
3. –"Styling";
4. –"Price";
5. –"Number of sizes available"

Measure all ei
Sample ei question for price…

Please state your opinion on the following scales:
• For athletic shoes:
price is:
Unimportant 1 2 3 4 5 6 7 Important

Sample ei question for price (correct version)

> - Please state your opinion on the following scales:
> •••For athletic shoes:
>
> high price is:
>
> Undesirable   -3   -2   -1   0   1   2   3   Desirable

Measure all ei (-3 to 3)

> - Please state your opinion on the following scales:
> - For athletic shoes:
>
> High price is:
>
> Undesirable   -3   -2   -1   0   1   2   3   Desirable
>
> High durability is:
>
> Undesirable   -3   -2   -1   0   1   2   3   Desirable

Measure bi values for the brand (-3 to 3)

> Please tell us what you think about brand A on these features:
> - Brand A shoes is high in price
>
> Unlikely   -3   -2   -1   0   1   2   3   Likely
> - Brand A shoes is high in durability
>
> Unlikely   -3   -2   -1   0   1   2   3   Likely

Compute Average Scores for BI and EI

> - Average EI for high price:
> –Consumer 1   -3
> –Consumer 2   -1
> –Consumer 3   -2
> –Consumer 4   -2
> - Average EI for price = ????
> - Average Bi for price of Brand A:
> –Consumer 1   3
> –Consumer 2   3
> –Consumer 3   3
> –Consumer 4   3
> - Average BI for Brand A price = ????

Attitude Measurement: Brand A

High Shock-Absorbence	+3	+2	+6
High Durability	+3	+2	+6
Fashionable Styling	+1	+3	+3
High Price	+3	-2	-6
Large Number of Sizes	+2	-1	-2

Overall Attitude = +7

Attitude Brand Measurement B

Salient beliefs	Brlief strenghth(bi)	Eva Score (ei)	biei
High Shock-Absorbence	+2	+2	+4
High Durability	+3	+2	+6
Fashionable Styling	-1	+3	-3
High Price	2	-2	-4
Large Number of Sizes	-2	-1	+2

Overall attitude = +5

Note: Calculating Attitudes

•Right Way
–Consumer A: bi = 2   ei = -1
–Consumer B: bi = 4   ei = -3
                         Average   bi = ??   ei = ??
–So: attitude for this segment = ??
••Wrong Way
–Consumer A: bi = 2   ei = -1
–Attitude for Consumer A = ??
—Consumer B: bi = 4   ei = -3
–Attitude for Consumer B = ??
–So: average attitude for this segment = ??

Model Problem: Attitude Not Always Predictive of Behavior!!·

- Need to Measure Attitude Towards Behavior (AB); not just Attitude towards Object (Ao)·

- Need to include the Influence of Other People's Opinions (Subjective Norms)

- Fishbein's Theory of Reasoned Action Does Both

2.3 Theory of Trying to Consume

The theory of trying to consume has been designed to account for the many cases where the action or outcome is not certain, but instead reflects the consumer's attempts to consume or purchase. In such cases there are often personal impediments and/or environmental impediments that might prevent the desired action or outcome from occurring. Here again, the key point is that in these cases of trying, the outcome is not, and cannot be assumed to be certain. The focus here is the "trying" or seeking part, rather than the outcome (consumption)

2.4. Attitude-toward-the-ad models

The gist of this model can be explained by the following:

1) Normally, if you like an ad, you are more likely to purchase the advertised brand.

2) For a new product/brand, an ad has a stronger impact on brand attitude and purchase intention.

Fig 6.4 the relationship among elements in an attitude towards the Ad model

(Re-adapted from 'Consumer Behavior' L.G. Schiffman, L.L. Kanuk)

The attitude-toward-the-ad model was developed to under-stand the impact of advertising or some other promotional
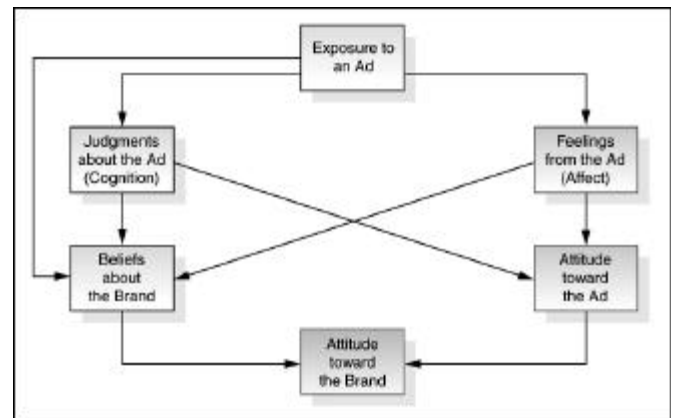
vehicle such as catalog on consumer attitude towards particular products or brands.

KEY TERMS

- Cognitive
- Affective
- Conative
- Structural Model
- Tricomponent Attitude model
- Multiattribute attitude model
- Attitude towards Object Model
- Theory of reasoned action model
- Fishbein's multiattribute model
- Theory of trying-to-consume
- Attitude-towards-the-ad model

Article #1

Consumer Attitude: Let Consumer Psyche Work For You

Consumers' images about themselves and how they desire to appear to others, as well as their aspirational needs, provide fodder for advertising and brand positioning.

CONSUMER behaviour is an inter-disciplinary science that has its roots in several disciplines. It may be worthwhile to consider the practical marketing applications that could be developed using self-concepts and behavioural traits. In almost any category of consumer products, symbolism makes use of self-concept. It is the image an individual holds of himself. There are a variety of self-concepts, which could be useful to marketing communication.

Actual self-concept

It is about how an individual perceives himself. A group of consumers may perceive themselves as rebellious non-conformists who seek individuality and freedom in their lifestyles. The Charms brand of cigarettes during the early eighties was perhaps one of the early brands in the Indian context to create a brand personality using the power of self-concepts - 'The spirit of freedom' and 'Charms is the way you are' were some of the copy statements in the advertisements of the brand which featured young models. In order to add to the claim on freedom, they had packaged the brand in a pack that had a denim type of design. This was the time when denim, which has its origin in the US, was getting accepted in the Indian context for its functional and symbolic appeal. The lifestyle type of advertising and the associations (with casualness and freedom) made the brand an inherent part of the youth culture during its time. The brand had used either actual self-concept or the concept of how an individual likes others to perceive him.

Ideal self-concept

This is concerned with how an individual would like to ideally perceive himself. There is a thin line of difference. Ideal self-concept has overtones of aspiration in it (more deeper than an active self-image) - the individual perceives the ideal image of himself/herself based on his aspirational needs. This would depend on his status - financial and educational, childhood upbringing, environmental exposure and personality traits. An upcoming businessman who is driven by aspiration may buy a Lacoste T-shirt, which is associated with the profile of a globetrotter, club membership, some kind of exclusivity and perhaps certain up market sports.

There could also be a variant of this kind of self-concept in the form of 'others' ideal self-concept' (how others should ideally perceive the individual). The individual may use status symbols to impress others (others' ideal self-concept) but may resist using them whenever there is a situation where the individual feels others do not matter (personal discretionary time/leisure *vis-à-vis* professional work). Marketers could use such psychographic information with time styles (how individuals spend their time) to come out with the appropriate appeal for products and services (vacation and weekend cars are examples of categories where these orientations are likely to be useful).

Expected self-image

This kind of image is between actual and ideal self-images. It is likely to be useful to marketers because changing the self-image radically towards the ideal image would be difficult and the expected self-image is one that consumers could identify with. A typical example is the advertisements of computer educational institutes that attempt to draw prospective consumers for their courses generally ranging from a few weeks to two years. Though there is an element of aspiration, consumers feel it leads to a situation, which is more, a stepping stone (completion of the course to get a job) rather than the realisation of their dreams (the ultimate ideal self-image). For a given target segment, the short-term aspirations may reflect actual self-concepts and the long-term ones the ideal self-concepts.

Inner-directedness and other-directedness

There may be broadly two kinds of consumers - inner-directed ones and other-directed ones. Inner-directed consumers look to themselves for following a specific lifestyle, forming attitudes towards product categories and brands and in general for purchase decisions. Other-directed consumers are influenced by their peers, neighbors and by groups with which they interact on a regular basis or by aspirational groups. The soft drink brand, Sprite, which positioned itself as a 'non-pseudo' drink, is probably a brand targeted towards inner-directed consumers. Other-directed brands are those, which strongly emphasise the group or symbolize others' self-concept (Gold Flake and Bacardi are examples).

Personality Traits and their Applications

Traits are enduring and distinguishing. Characteristics that differentiate one individual from the other are helpful to marketers in a variety of ways.

Consumer Innovativeness

This aspect of personality may be useful to both FMCG products and durables. It enables marketers to identify and target consumers who would be receptive to new product categories. A number of new product categories are being introduced and specifically these categories will benefit from identifying the innovators. (Mobile phones, electronic toys, plasma TVs, WorldSpace music systems, special types of

watches such as 'Ecodrive' from Citizen and electric cars are some categories, which may benefit from the identification of innovator profile). Innovators would also form a good base of consumers who would spread the word about the category or brand. There is a need to ensure that innovators are not only satisfied with the product but also with the service that is packaged with the product. It may be worthwhile for marketers to find out if these types of consumers perceive the benefits offered by a new category of products. For instance, products such as a three-in-one (which comprised a transistor, tape-recorder and record player) introduced in the early seventies did not catch on even though a few innovators bought this product. With a narrow plane of differentiation existing in the cola market, a brand could come out with a cola fortified with vitamins and the success of such a product would depend on the perception of innovators.

Ethnocentrism

Ethnocentrism is the tendency of a consumer to prefer products made in his/her country (*vis-à-vis* products made in a foreign country). The Ruf and Tuf jeans brand is a good example of a brand attempting ethnocentrism. Jeans as a category are of foreign origin and consumers have been used to a number of foreign brands. Arvind Mills (which launched Ruf and Tuf) found that aspirational levels of consumer groups in semi-urban towns with regard to the product category were high but their affordability only permitted them to buy jeans, which were clones/duplicates of well-known brands and of inferior quality. There was a need for a good quality jeans brand at affordable prices.

Ruf and Tuf was launched with a celebrity and the brand followed this up with a campaign, which emphasised the ethnicity of the brand. The campaign was effective in removing the perception that only foreign brands were associated with the category. Bajaj launched the 'Hamara Bajaj' campaign in the nineties when it found that competitive brands were making a dent in its share. The campaign made use of the popularity of the brand throughout the country (not only in urban areas in which the presence of competitive brands was felt).

The problem of grey markets in categories such as cigarettes, perfumes and consumer electronics could be effectively tackled by using ethnocentrism (variations of the concept). A grey market is one in which smuggled brands (though original) are made available through illegal channels of distribution. If a foreign company has a manufacturing or a collaborative arrangement in the country, it could highlight this aspect in the brand communication and thus develop a favourable attitude for the brand.

Optimum Stimulation Level

The intensity of physical or mental or sensory activity in individual experiences could be referred to as stimulation level. Due to the differences in personality factors and lifestyles, individuals vary in the stimulation levels they experience. Individuals with a high level of stimulation are likely to find ways to reduce the stimulation levels and individuals with a low level are likely to make attempts to increase their level of stimulation. The marketing implication could be explained

through a typical example involving the selection of a vacation that could range from adventure-filled ones to those, which offer tranquility and peace.

Another application of stimulation levels could be that associated with the management of product lines in FMCG categories such as biscuits, chocolates, toothpastes and even cigarettes. One of the objectives of launching variants (in the form of flavours and tastes) is to ensure that consumers do not change the brand. It may be worthwhile for a brand to find out through research if loyal consumers need variety to gratify their stimulation levels. Revenue from variants would have to be carefully managed for product line profits and stimulation levels of consumers may be a useful point to be taken into consideration.

Dogmatism

This refers to a trait which is responsible for the individual's resistance whenever the information provided to the individual is not in tune with his/her beliefs (degree of rigidity towards beliefs not in tune with this beliefs). Consumers who have a low level of dogmatism are likely to be more open to marketing communication than those who have a high level of dogmatism. Exploring the cognitive aspects of attitude among the target segment could be very useful to marketers, especially before they formulate the communication for a brand. The usefulness will be more pronounced for a 'new concept' product. For instance, among the target segment for water purifiers, there may be a set of consumers who strongly believe that the process of purification is likely to be hazardous to health and that the end benefit of purified water could be obtained through a brand of water filter. This kind of belief has to be carefully dealt with using a combination of promotional methods (advertisements, personal selling and perhaps demonstration with sophisticated methods and research data).

Permission marketing which involves creating an involvement from the consumer's end is likely to be effective in providing a foundation to communicate with the consumer and slowly reduce the intensity of dogmatism. From among the target segment for the product (water filter), it may be useful to gather data on how many would be interested in obtaining information on the brand (which would also include the kind of information which will address wrong beliefs). If the brand is able to communicate effectively with this cross-section of consumers, there are chances that 'word of mouth' could take over and spread to other consumers in the target segment. This approach is likely to be more effective than a high visibility campaign, which directly attacks the set beliefs held by a cross-section of consumers. A spate of advertisements, if used, may become counter-productive if they generate counter-arguments in the psyche of dogmatic consumers. Consumers may feel that the brand is attempting to force itself on them by the sponsorship of a blitzkrieg.

The qualitative aspects of personality-oriented concepts offer several creative avenues for marketers.

Consumer Attitudes

An **attitude** describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or an idea.

Models of Attitude

- **Tricomponent Attitude Model**
- **Multiattribute Attitude models**

Properties of attitudes

- **Cognitive**
- **Affective**
- **Behavioral Intentions**
- **Evaluation**

Multiattribute Attitude models

- **Attitude toward object model**
- **Attitude toward behavior model**
- **Theory of reasoned-action-model**
- **Theory of trying to consume**
- **Attitude-toward-the-ad models**

LESSON 16:
ATTITUDE FORMATION AND CHANGE

Introduction

How do people, especially young students like you, form your initial general attitudes toward "things"? Consider your attitude toward clothing you wear such as casual wear, and formal wear. On a more specific level, how do you form attitudes toward Woodlands, or Will life style, or Lee casual wear, or Allen Solly formal clothing? Also, what about where such clothing is purchased? Would you buy your casual wear, and formal clothing at Shopper's Stop, Lifestyle, or The Metropolitan? How do family members and friends, celebrities admired by you, advertisements, influence the formation of you attitudes concerning consuming or not consuming each of these types of apparel items? Why do some attitudes seem to persist indefinitely, while others change very often? The answer to all these questions are of great importance to marketers, since without knowing how attitudes are formed, they are unable to understand or to influence consumer attitudes or behaviour.

The above is also true of attitude change, i.e., attitude changes are learned; they are influenced by personal experience and other sources of information, and personality affects both the receptivity and the speed with which attitudes are likely to be altered.

Objectives

After completing this lesson you should be able to:

- Understand the concept of formation of attitudes
- Identify the circumstances and reasons for attitude changes
- Formulate strategies for changing attitudes

1. How are attitudes formed?

We examine attitude formation by dividing into three areas: how attitudes are learned, the sources of influence on attitude formation, and the impact of personality on attitude formation.

1. How attitudes are learned:

    1) The shift from having no attitude toward a given object to having an attitude is learned. The learning may come from information exposure, consumers' own cognition (knowledge or belief), or experience.

    2) Consumers may form an attitude before or after a purchase.

2. Sources of influence on attitude formation: personal experience, friends and family, direct marketing, or mass media.

3. Personality factors: such as high/low need for cognition (information seeking), and social status consciousness

1.1 Learning of Attitudes

By formation of attitude, we mean a situation, where there is a shift from having no attitude towards a given object to having some attitude toward it. This shift from no attitude to an attitude or the formation of attitude is a result of learning.

Attitudes are generally formed through:

- Repeated exposure to novel social objects,
- Classical conditioning,
- Operant conditioning and
- Exposure to live and symbolic models.

Consumers generally purchase new products that are associated with a favorably viewed brand name. Their favorable attitude toward the brand name is frequently the result of repeated satisfaction with other products produced by the same company. In terms of *classical conditioning*, an established brand name is an *unconditioned stimulus* that has resulted in a favorable brand attitude through past positive reinforcement. A new product, which is yet to be linked to the established brand, would be the *conditioned impulse*. For example, by giving a new anti-wrinkle lotion the benefit of its well-known and respected family name, Johnson & Johnson may be counting on an extension of the favorable attitude already associated with the brand name to the new product. They are counting on stimulus generalization from the brand name to the new product. It has been shown by research that the "fit" between a parent brand like in the case of J&J and a brand extension, for instance, J&J's anti-wrinkle, is a function of two factors: (1) the similarity between the pre-existing product categories already associated with the parent brand and the new extension, and (2) the "fit" or match between the images of the parent brand and the new extension.

At times, attitudes follow the purchase and consumption of a product. For example, a consumer may purchase a brand-name product without having a prior attitude towards it, because it is the only product available like the last bottle of shampoo in a hotel store). Consumers sometimes make trial purchases of new brands from product categories in which they have little personal involvement. If they find the purchased brand to be satisfactory, then they are likely to develop a favorable attitude toward it.

Life is too complicated to predict what attitudes will persist and which will change but early socialization experiences do shape attitudes.

1.2 Sources of Influence on Attitude Formation

The formation of consumer attitudes is strongly influenced by *personal experience, the influence of family and friends, direct marketing,* and *mass media.* Attitudes towards goods and services are primarily formed through the consumer's direct experience

Activity 1

1. What sources influenced you attitude about this course before classes started?

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2. Has your initial attitude changed since the course started? If so, how?

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1.3 Personality Factors

We know that the personality of each individual is different and it plays a very crucial role in formation of attitude. Say for example, if you have a high need for cognition, i.e., you crave for information and enjoy thinking. Then you are likely to form a positive attitude in response to ads or direct mail that are rich in product related information. On the other hand, your friend Ravi, who is relatively low in need for cognition, is more likely to form positive attitudes in response to ads that feature an attractive model or well-known celebrity.

Activity 2

Describe a situation in which you acquired an attitude toward a new product through exposure to an advertisement for that product. Describe a situation where you formed an attitude toward a product or brand on the basis of personal influence.

2. Attitude Change and Persuasion

Activity 3

A. Using the Internet, find two advertisements that are trying to persuade you. Try to find an advertisement that is trying to persuade you to buy something and one that is trying to persuade you to **do** something (e.g., vote for someone, donate money to something).

B. Determine what processing route the ads are trying to use and how effective it might be. Also try to generate some ideas about how a consumer could resist the advertisement's persuasive tactics.

C. You will be asked to share your ads, your analysis of the processing route the ad is trying to use, and your ideas about how a consumer could resist the ad's persuasive tactics with the rest of the class.

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3. Strategies of Attitude Change

Bringing about a change in the consumer attitudes is a very important strategic consideration for us marketing people. When the product or brand is the market leader, the marketers will work at ensuring that their customers continue to patronize their product with the existing positive attitude. Such firms also have to ensure that their existing loyal customers do not succumb to their competitor's attitude change ploys.

But it is the firm whose is not the brand leader, which tries to adopt marketing strategies so as to change the attitudes of the market leaders, customers and win them over. Among the attitude change strategies that are available to them are:

1. Changing the consumer's basic motivational function
2. Associating the product with an admired group or event
3. Resolving two conflicting attitudes
4. Altering components of the Multiattribute model, and
5. Changing consumer beliefs about competitor's brands.

Now let us look at each of these strategies in greater details.

1. Changing the basic motivational function:

This strategy calls for changing consumer attitudes towards a product or brand by making a new need prominent. One such method changing motivation is called the _functional approach_. As per this approach, attitudes can be classified in terms of four functions, viz:

1. **The utilitarian function**
2. **The ego defensive function**
3. The value - expressive function
4. The Knowledge function.

The utilitarian function: A consumer develops a brand attitude because of its utility. In other words; we develop a favorable altitude towards a product because of its utility function.

So marketers try to change consumer attitudes in favor of their products or brand by highlighting its utilitarian purpose, which they (the competitors consumers;) may not have considered. For example, _Jyothi Laboratories_ have positioned' _Ujala'_ as "Neel jo Neela nahi'" (Neel which is not blue) and also the cost benefit (only Rs 7) is given as the utilitarian benefit;

Ego defensive function: Most individuals want to protect their self-image. They want re-assurance about their self-image from inner feelings or doubts. Firms marketing personal care and cosmetics try to appeal to this need and develop a favorable attitude change towards their products or brands by communi-cating a re-assurance to the consumers self concept. Say For instance, '_Dove_ soap speaks about the skin's dryness which is taken care by the moisturizing content in the Dove Soap _or Life buoy Gold soap_ talks of the teenager's concern about pimples, and the mother states that "there is nothing you can .do about it" and reassures by stating 'you can take care by using _Life buoy Gold_ soap". Such advertisements show understanding and reassurance to the potential customers.

The value expressive function: A. consumer develops an attitude based on his general value, life style and outlook. If

the target consumers hold a positive attitude towards being fashionable, then they will have a positive attitude towards high fashion clothes e.*g. Van Hussen, Louis Phillip etc.,*

The advertisement for *Yamaha RXG motorcycle* is *targeted at* young people who are outgoing and prefer a powerful bike. The ad claims " *Man, machine and nature in perfect harmony. Breathtaking power, unbeatable performance".*

The knowledge function: Human nature is such that individuals prefer to know and understand the people and things they are in contact. While product positioning, marketers try to do this and improve the consumers attitude towards their product or brand by highlighting its benefits over competing brands. For instance, in a highly competitive market, *Ora1-B toothbrush* emphasizes on its 'indicator' which will tell the users the time when they are required to change the toothbrush.

Combining several functions: Since different consumers may have developed positive or negative attitude towards the same product or service, firms could use a functional frame work for examining the consumer attitudes. For instance, *Asian paints* have highlighted the usage of their paints to harmonise the home coming of the son on the festival day, when the house has been colorfully re-painted with Asian paints. This ad talks of many functions - it highlights that -the product works well (has many colour combinations) (the *utilitarian functions),* the second is the inner joy and confidence (because a proper welcome can be accorded to the son coming home with the various colourpaints giving the house a new look) (*value expression function)*

2. Associating the product with an admired group or event

At times attitudes come to be attached to certain groups, social events or causes. So marketers could try strategies whereby their product or service comes to be associated with certain events, social groups or causes. For example, 'Titan Cup' is associated with cricket. Through sponsorship of the deep purple and Bon Jovi concerts, BPL has established a positive attitude in consumer mind. "Nobody entertains you like BPL" or *Godrej* positions itself with positive beauty pageants. *CRY greetings cards* is associated with a cause, all contributions go to the UNESEF.

3. Resolving two conflicting attitudes

Marketers also try to take advantage of actual or potential conflict between attitudes. At times firms make consumers see that their attitudes towards a brand is in conflict with another attitude, and then they maybe inclined to change their evaluation of the brand. For example, your mother may be choosing a cooking medium, which adds to the taste. And this attitude exists right from the 'Dalda' days. However, Marico industries created a heart stopping commercial for its 'Saffola' cooking oil to resolve the conflicting attitude that 'Saffola' oil though healthy oil is not particularly tasty one. The advertisements of 'Saffola' was shown in a series of shots, depicting a middle aged man being rushed to hospital and wheeled into the operation room and he suffers a heart attack, while his panic stricken wife waits fearfully, drove the message. And there was a voice over

referring to Saffola's product benefit-"There are many things in your husband's life that you cannot control. Saffola: it's your life insurance"- struck up an immediate association with safety and relief.

4. Altering components of the Multiattribute model
In the earlier lesson we discussed a number of Multiattribute models, which have implication for attitude change strategies. To be more precise, these models provide us with additional insights as to how to bring about attitudinal change:

(1). Changing the relative evaluation of attributes

(2) Changing brand beliefs

(3) Adding an attribute, and

(4) Changing the overall brand rating

(1) Changing the relative evaluation of attributes
Consumer markets can be segmented in the same product category according to brands that offer different features or beliefs. For example, *Moov,* a balm to relieve pain in the back and *Iodex* to relive pain due to any inflammation or swelling like sprain etc. another example we could take in this case is when marketers persuade consumers who prefer one version of the product say a professional 35mm camera "Yashika" to shift their attitudes to another version of the product say ' an automatic ready to point and shoot camera"-"Konika".

(2) Changing brand beliefs
This calls for changing attitudes of consumers by changing beliefs or perceptions about the brand itself. For example, P & G's Ariel *Microshine* detergent claims that this detergent is a tough cleaner, powerful stain remover, easy to use, unlike the other detergents, which only whiten the clothes.

(3) Adding an attribute
This means either adding an attitude that previously has been ignored or one that represents an improvement or technological innovation. For instance, Initially Bournvita was positioned as a superior product to milk i.e., a health builder. Now Bournvita's advertisement claims it as necessary product or health builder containing vital calcium, vitamins and carbohydrates that is a must for growing children.

(4) Changing the overall brand rating
Altering the consumers overall assessment of the brand directly without attempting to improve or change their evaluation of a single brand attribute. Usually this strategy is used by using some form of global statement like " this is the largest selling brand". For example, the advertisement of "westar" dual time watches, from Westar) the world on your watch).

(5) Changing consumer beliefs about competitor's brands
Usually it is seen that the attitude change agent is a well-respected agent authority or peer group. Because the amount of attitude change is related to the credibility of the source of the message. The major purpose of changing attitudes is to eventually change consumer behavior. Thus an understanding of consumer attitudes towards their product will enable the marketer to adopt suitable strategies and create a positive image or attitude for that matter of their products in the minds of the consumer.

Behavior Can Precede or Follow Attitude Formation

Cognitive Dissonance Theory

According to **cognitive dissonance theory**, discomfort or dissonance occurs when a consumer holds confusing thoughts about a belief or an attitude object (either before or after the purchase).

Postpurchase dissonance occurs after the purchase.

> The consumer is not happy with the purchase—so they adjust their attitudes to conform to their behavior.

> Postpurchase dissonance is quite normal.

> Attitude change is frequently an outcome of an action or behavior.

> Dissonance propels consumers to reduce the unpleasant feelings created by the rival thoughts.

Tactics that consumers can use to reduce dissonance include reduction:

> By rationalizing the decision as being wise.

> By seeking out advertisements that support the original reason for choosing the product.

> By trying to "sell" friends on the positive features of the brand.

> By looking to known satisfied owners for reassurance.

Marketers can help reduce postpurchase uncertainty by aiming specific messages at reinforcing consumer decisions.

Beyond these dissonance-reducing tactics, marketers increasingly are developing affinity or relationship programs designed to reward good customers and to build customer loyalty and satisfaction.

Attribution Theory

What does attribution theory say about attitude?

Attribution theory attempts to explain how people assign causality to events on the basis of either their own behavior or the behavior of others.

Self-Perception Theory

Self-perception theory addresses individuals' inferences or judgments as to the cause of their own behavior.

In terms of consumer behavior, self-perception theory suggests that attitudes develop as consumers *look at and make judgments about their own behavior.*

Internal and external attributions—attitudes develop as consumers look at and make judgments about their own behavior. These judgments can be divided into internal, external, and defensive attributions.

Internal attribution—giving yourself credit for the outcomes—your ability, your skill, or your effort.

External attribution—the purchase was good because of factors beyond your control—luck, etc.

Defensive attribution—consumers are likely to accept credit personally for success, and to credit failure to others or to outside events.

For this reason, it is crucial that marketers offer uniformly high-quality products that allow consumers to perceive themselves as the reason for the success; that is, "I am competent."

Foot-in-the-door technique—the foot-in-the-door technique, is based on the premise that individuals look at their prior behavior (e.g., compliance with a minor request) and conclude that they are the kind of person who says "Yes" to such requests (i.e., an internal attribution).

Such self-attribution serves to increase the likelihood that they will agree to a similar, more substantial request.

It appears that different size incentives create different degrees of internal attribution that, in turn, lead to different amounts of attitude change.

It is not the biggest incentive that is most likely to lead to positive attitude change.

What seems most effective is a moderate incentive, one that is just big enough to stimulate initial purchase of the brand but still small enough to encourage consumers to internalise their positive usage experience and allow a positive attitude change to occur.

Attributions Toward Others

Every time you ask "Why?" about a statement or action of another or "others"—a family member, a friend, a salesperson, a direct marketer, a shipping company— *attribution toward others* theory is relevant.

Attributions Toward Things

It is in the area of judging product performance that consumers are most likely to form product *attributions toward things*.

Specifically, they want to find out why a product meets or does not meet their expectations.

In this regard, they could attribute the product's successful performance (or failure) to the product itself, to themselves, to other people or situations, or to some combination of these factors.

How We Test Our Attributions

We as Individuals acquire conviction about particular observations by acting like "naive scientists," that is, by collecting additional information in an attempt to confirm (or disconfirm) prior inferences.

In collecting such information, we often use the following:

Distinctiveness—The consumer attributes an action to a particular product or person if the action occurs when the product (or person) is present and does not occur in its absence.

Consistency over time—Whenever the person or product is present, the consumer's inference or reaction must be the same, or nearly so.

Consistency over modality—The inference or reaction must be the same, even when the situation in which it occurs varies.

Consensus—The action is perceived in the same way by other consumers.

Activity 4

Tick on the correct choice

1. Attitudes are formed by learning. In terms of classical conditioning, Oil of Olay, the well established brand, was using the brand strength as the unconditioned stimulus to introduce Oil of Olay body wash. The unconditioned stimulus was used to link the new brand to the established name, resulting in a favorable attitude. The company is hoping for _____ from the brand name to the new product.

    a. stimulus recognition

    b. stimulus generalization

    c. attitude expansion

    d. attitude stability

2. Attitudes are formed:

    a. before using the product.

    b. after using the product.

    c. when hearing about the product.

    d. all of the above

3. The formation of attitudes is strongly influenced by all the following except:

    a. personal experience.

    b. influence of family and friends.

    c. mass media.

    d. how long the product has been on the market.

4. The primary means by which consumers form their attitudes is through _____.

    a. consumer reports

    b. family influences

    c. personal experience

    d. direct marketing

5. Direct marketing efforts have an excellent chance of favorably influencing target consumer's attitudes because:

    a. direct marketing is favorably looked upon.

    b. the mass scale of direct marketing makes it a dominant player.

    c. because the products and services offered are highly targeted to the individuals' needs and concerns.

    d. Internet advertising is too cluttered.

6. The closest thing to direct experience influencing attitude formation is:

    a. magazines and newspaper ads.

    b. TV commercials.

    c. the Internet.

    d. direct marketing.

7. Consumers who have a high need for cognition are those who:

    a. are passive.

    b. crave information and enjoy thinking.

    c. desire the best quality in the products they choose.

    d. look for the best value for the money.

8. The following type of company is most likely to go after an attitude change market strategy:

    a. the industry leader

    b. major competitor of the leader

    c. small start-up business

    d. all of the above

9. Which of the following is one of the attitude change strategies that marketers follow?

    a. associating the product with an admired group or event

    b. resolving two conflicting attitudes

    c. changing consumer beliefs about competitor brands

    d. all of the above

10. An effective attitude change strategy is changing the basic motivational function. According to this approach, attitudes can be formed into four functions; which of the following is <u>not</u> one of them?

    a. utilitarian

    b. ego-defensive

    c. knowledge

    d. personal experience

11. One of the strategies for changing consumer attitudes is changing the basic motivational function using four different functions. Ads for cosmetics and personal care products acknowledge the fact that people want to protect their self-images from inner feelings of doubt. This is consistent with which basic motivational functions?

    a. ego-defensive

    b. knowledge

    c. utilitarian

    d. value-expressive

12. One of the strategies for changing consumer attitudes is changing the basic motivational function using four different functions. An example of the _____ function is for Crest to point out how its new toothbrush is superior to all other toothbrushes in controlling gum disease by removing more plaque.

   a. ego-defensive

   b. knowledge

   c. utilitarian

   d. value-expressive

13. One of the strategies for changing consumer attitudes is changing the basic motivational function using four different functions. An example of the _____ function is for Celestial Seasons to point out that Green Tea is loaded with antioxidants, which are good for you.

   a. ego-defensive

   b. knowledge

   c. utilitarian

   d. value-expressive

14. When marketers try to persuade regular tea drinkers to "cross over" to becoming herbal tea drinkers, the company must utilize a strategy that:

   a. changes the relative evaluation of attributes.

   b. changes brand beliefs.

   c. informs consumers that it has added an attribute.

   d. changes the overall rating of a brand.

15. When HP challenges the notion that computers do not have to be difficult to use by stating that their product "is as simple as duh," it is altering a component of the multiattribute model to change attitudes; which strategy is it using?

   a. changing the relative evaluation of attributes

   b. changing brand beliefs

   c. adding an attribute

   d. changing the overall brand rating

16. "The largest selling brand" and "the one all others try to imitate" are claims used by companies trying to change attitudes by using the following strategy:

   a. changing the relative evaluation of attributes

   b. changing brand beliefs

   c. adding an attribute

   d. changing the overall brand rating

Key Terms

- The Utilitarian Function

- The ego defensive function

- The value expressive function

- The knowledge function

- Brand beliefs

Article # 1

Horlicks In A New Avatar

> *From a boring nutritional drink, GSK is trying to position Horlicks as 'pleasurable nourishment', by launching it in vanilla, chocolate and honey variants.*

Sucheta Govil, General Manager, Marketing, Nutritional Healthcare and Anindya Dasgupta, Marketing Manager, GSK.
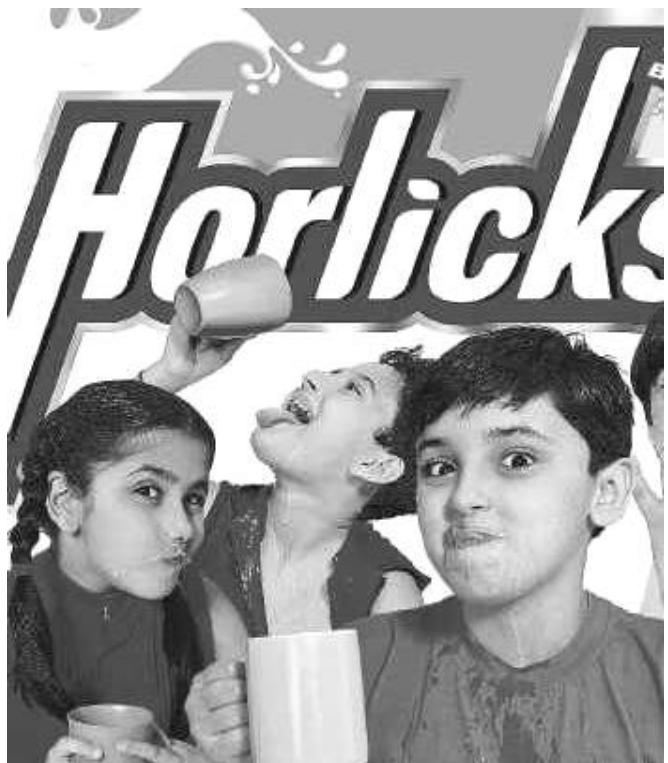
Child: "Horlicks is an old person's drink and I drink it only because mama forces me to do so."

Mother: "My kids drink whatever they feel like, and I wish they would ask for Horlicks."

GLAXO SMITHKLINE'S (GSK) consumer research findings clearly pointed out that the Horlicks users wanted a change. They wanted a more spirited and happening drink in interesting flavours, instead of a drab nourishment drink. The 130-year-old Horlicks was beginning to lose its sheen and with its growth being flat in the last one year, GSK felt that it was time to give its Rs 800-crore brand a facelift.

The company recently re-launched Horlicks in three new variants — vanilla, honey and chocolate — apart from the regular malt.

The new Horlicks formulation is also accompanied by contemporary packaging in hues of bright blue and orange. "We wanted to contemporarise Horlicks and make it more relevant. The brand had begun to look dated and was losing its significance," says Sucheta Govil, General Manager, Marketing, Nutritional Healthcare, and GSK Consumer Healthcare. "We ourselves participated in the research exercise and literally peeped into the kitchen shelves to find out what the consumers were looking for, as the expected growth was not happening for Horlicks." Govil says that the new Horlicks, whose focus is on flavours, with its nutritional constituents remaining the same, is the tastiest ever Horlicks. "In fact, Chocolate Horlicks has been rated as the best chocolate drink in milk in the blind consumer research."

While Tata Elxsi has designed the product packaging, J. Walter Thomson has done the pack designing. "We had 12 design concepts from JWT India and Badge Consulting, UK, and finally decided on a JWT design," says Govil. She claims that the consumer research findings show the new avatar of Horlicks has the highest shelf appeal and maximum visibility.

Apart from the new flavours and attractive packaging, the brand has also made a complete turnaround as far as its positioning is concerned. The brand, which used to previously address mothers, will now address the kids. Says Govil, "Our consumer research exercise pointed out that pester power played a major role in buying decisions. From a HFD product like ours to white-goods such as a computer or a TV, the children play a major role at the entry level of any product."

Apart from this, the attitude of the mothers, says Govil, has also changed. "The mothers today are no longer epitomes of patience who would do anything to get their children to have healthy and nutritious food. Today's mothers prefer to give their children what they like instead of wasting time and energy to force their children to have a health drink or a health food."

The company's communication strategy, therefore, focuses on children who have an attitude - an attitude, which is positive, livewire and spirited. This has been projected in its TVC, which will be aired across all channels and would also be backed by an extensive print and outdoor campaign.

Says Anindya Dasgupta, Marketing Manager, GSK, "While the first phase of the campaign would talk about the re-launch of Horlicks, the second phase will talk about the new features of the product." He says that 70 per cent of the media spend on the brand would be in the second half of the year.

Apart from the new TVC, Daspupta elaborates that the company was also going to launch a school contact programme, which would reach around three lakh school students. Also on the cards is Activity 2003, a talent hunt programme, targeting 1.5 million students, across 3,000 schools in eight cities. The finals of Activity 2003 will be conducted in Bangalore.

Expressing his views on Horlicks' new strategy of addressing kids instead of mothers, Jagdeep Kapoor, Managing Director, Samsika Marketing Consultancy, says, "Horlicks has always has been a mother and child brand and the reason why it has always worked so well is because the child relished the taste, and the mother liked the nutritional values of the product. Therefore, the company should never ignore the mother and only focus on the child. The mother is like a gatekeeper, who allows the entry of the product into the house because of its nutrition values. The child is only the user."

Kapoor says that the new packaging and the new flavours are no doubt exciting, but the company at no point of time should let the credibility of the brand suffer by positioning it as a kids' brand. "They should instead contemporarise the brand by getting a contemporary mother to endorse the brand," he says.

Concurs an analyst with a leading brokerage, "Horlicks has always been considered a convalescent brand and a brand primarily for the elders. By focusing just on children, the brand is at risk of losing its existing target audience."

The Horlicks re-launch follows the re-launch of Boost, which comes under the brown malted drink category. It was re-launched by GSK late last year with 'power boosters', which include copper and Biotin. The new formulation was also accompanied with a brand new packaging. Dasgupta says that post the re-launch, Boost has grown by 11 per cent in the malted brown drink category and is the leader of the category with a 14.2 per cent market share.

The white malted category comprises 60 per cent of the overall Rs 1,200-crore HFD market, and Horlicks, along with Junior Horlicks, is the market leader with a 57 per cent market share.

While 45 per cent of the brand's sales come from the South, especially Tamil Nadu, 49 per cent of its sales is from the East, while the rest is from the North and West put together.

With this re-launch, Govil hopes that the brand would grow this year in the range of 10 to12 percent, and position the brand as a pleasurable nutrition experience especially for the children. Therefore no more pestering by mums and the kids can have an option between chocolate, vanilla and honey!

Issues in Attitude Formation

- How attitudes are learned
- Sources of influence on attitude formation
- Personality factors

Four Basic Attitude Functions

- The Utilitarian Function
- The Ego-defensive Function
- The Value-expressive Function
- The Knowledge Function

Strategies of Attitude Change

- Changing the Basic Motivational Function
- Associating the Product With an Admired Group or Event
- Resolving Two Conflicting Attitudes
- Altering Components of the Multiattribute Model
- Changing Beliefs About Competitors' Brands

Elaboration Likelihood Model (ELM)	A theory that suggests that a person's level of involvement during message processing is a critical factor in determining which route to persuasion is likely to be effective.

Why Might Behavior Precede Attitude Formation?

- Cognitive Dissonance Theory
- Attribution Theory

Behave (Purchase)

Form Attitude

Form Attitude
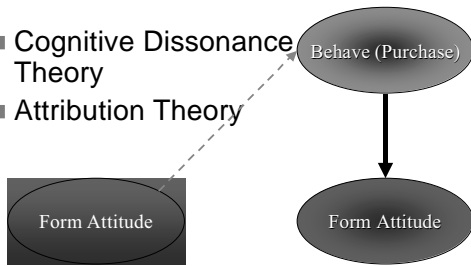
Postpurchase Dissonance	Cognitive dissonance that occurs after a consumer has made a purchase commitment. Consumers resolve this dissonance through a variety of strategies designed to confirm the wisdom of their choice.

Cognitive Dissonance Theory	Holds that discomfort or dissonance occurs when a consumer holds conflicting thoughts about a belief or an attitude object.

Attribution Theory	A theory concerned with how people assign casualty to events and form or alter their attitudes as an outcome of assessing their own or other people's behavior.

Issues in Attribution Theory

- Self-perception Theory
  - Foot-In-The-Door Technique
- Attributions Toward Others
- Attributions Toward Things
- How We Test Our Attributions

Defensive Attribution	A theory that suggests consumers are likely to accept credit for successful outcomes (internal attribution) and to blame other persons or products for failure (external attribution).

Self-Perception Theory	A theory that suggests that consumers develop attitudes by reflecting on their own behavior.

Criteria for Causal Attributions

- Distinctiveness
- Consistency Over Time
- Consistency Over Modality
- Consensus

Consider the following results for a T.V set, based on Fishbein's multiattribute model:

Attribute	Evaluation	Brand belief
Clear Picture	+3	+2
Low Price	+2	-1
Durable	+3	+1
Attractive cabinet	+1	+3

1. First calculate the overall attitude score. Second, calculate the maximum overall score a brand could receive given the current set of attribute evaluations. Third, describe the product's strengths and weaknesses as perceived by consumers.

2. Using the multiattribute results presented in the question above, identify all possible changes that would enhance brand attitude. Which change would lead to the greatest improvement in attitude?

Notes

LESSON 18:
PERSONALITY

Introduction

"Personality is the supreme realization of the innate idiosyncrasy of a living being. It is an act of high courage flung in the face of life, the absolute affirmation of all that constitutes the individual, the most successful adaptation to the universal condition of existence coupled with the greatest possible freedom for self-determination."

- Carl Gustav Jung, 1934

We cannot define Personality very easily. Basically, 'personality' refers to our attempts to capture or summarize an individual's 'essence'. Personality is person-ality, the science of describing and understanding persons. Clearly, personality is a core area of study for psychology, if not the core.

No two people are exactly the same - not even identical twins. Some people are anxious, some are risk-taking; some are phlegmatic, some highly-strung; some are confident, some shy; and some are quiet and some are loquacious. This issue of differences is fundamental to the study of personality. Note also that in studying these differences we will also examine where the differences come from: as with intelligence we will find that there is a mixture of nature and nurture involved.

Objectives

After completion of this lesson you should be able to:

- Define personality.
- Describe the nature and development of personality.
- Outline Freudian personality theory and the corresponding stages of development.
- Discuss neo-Freudian personality theory and trait theory.
- Discuss the relationship of personality and consumer diversity.
- Enumerate cognitive personality factors, consumption, and possession traits.
- Trace the shift from consumer materialism to compulsive consumption.
- Describe the elements of brand personality.
- Discuss the concepts of self and self-image.
- Identify the four forms of self-image plus two other versions of self-image.
- Describe virtual personality or self.

1. What is "personality"?

We use the term personality frequently but what does it actually mean?

"She has a wonderful personality."
"He has no personality."
"He has personality plus."
"We seem to have a personality conflict."
"It's just her personality."

"She has her mother's personality."
"He's a real personality."

Personality comes from the Greek word "persona", meaning "mask"

The word 'personality' derives from the Latin word 'persona' which means 'mask'. The study of personality can be understood as the study of 'masks' that people wear. These are the personas that people not only project and display, but also include the inner parts of psychological experience, which we collectively call our 'self'.

"I" is for personality

According to Adams (1954, cited in Schultz & Schultz, 1994) personality is "I".

Adams suggested that we get a good idea of what personality is by listening to what we say when we use "I". When you say I, you are, in effect, summing up everything about yourself - your likes and dislikes, fears and virtues, strengths and weaknesses.

The word I is what defined you as an individual, as a person separate from all others." (Schultz & Schultz, 1994, p.8)

> **"I am" exercise**
>
> Write 10 honest endings to "I am..."
>
> Share them with someone
>
> Does this sum up your personality? Why or why not?

Let us look at various definitions of personality

- "Deceptive masquerade or mimicry."
- "The entire organization of a human being at any stage of development."
- "Levels or layers of dispositions, usually with a unifying or integrative principle at the top."
- "The integration of those systems or habits that represent an individual's characteristic adjustments to the environment."
- "The way in which the person does such things as remembering, thinking or loving."
- "Those characteristics that account for consistent patterns of behaviour"
- "Personality is not an existing substantive entity to be searched for but a complex construct to be developed and defined by the observer."
  (Smith & Vetter, 1982, p.5)
- A contemporary definition for personality is offered by Carver and Scheier (2000, p.5): "Personality is a dynamic organisation, inside the person, of psychophysical systems that create a person's characteristic patterns of behaviour, thoughts, and feelings." Carver & Scheier (2000, p.5)

- Dynamic Organisation: suggests ongoing readjustments, adaptation to experience, continual upgrading and maintaining Personality doesn't just lie there. It has process and it's organised.
- Inside the Person: suggests internal storage of patterns, supporting the notion that personality influences behaviour, etc.
- Psychophysical systems: suggests that the physical is also involved in 'who we are'
  Characteristic Patterns: implies that consistency/continuity which are uniquely identifying of an individual
- Behaviour, Thoughts, and Feelings: indicates that personality includes a wide range of psychological experience/manifestation: that personality is displayed in MANY ways.
- Carver & Sheier (2000, p.5) suggest that the word personality "conveys a sense of consistency, internal causality, and personal distinctiveness". This issue of "personal distinctiveness is very important. There are certain universal characteristics of the human race and particular features of individuals. We all for example experience stress and the elevated cortisol that goes with it, and we all suffer the immune suppressive effects thereof. BUT each of us is unique too.

The Nature of Personality

In our study of personality, three distinct properties are of central importance:

a) Personality reflects individual differences.
b) Personality is consistent and enduring.
c) Personality can change.

Personality Reflects Individual Differences

1. An individual's personality is a unique combination of factors; no two individuals are exactly alike.
2. Personality is a useful concept because it enables us to categorize consumers into different groups on the basis of a single trait or a few traits.

Personality is Consistent and Enduring

1. Marketers learn which personality characteristics influence specific consumer responses and attempt to appeal to relevant traits inherent in their target group of consumers.
2. Even though an individual's personality may be consistent, consumption behavior often varies considerably because of psychological, sociocultural, and environmental factors that affect behavior.

Personality can Change

1. An individual's personality may be altered by major life events, such as the birth of a child, the death of a loved one, a divorce, or a major career change.

2. An individual's personality also changes as part of a gradual maturing process.
   a) Personality stereotypes may also change over time.
   b) **There is a prediction, for example, that a** *personality convergence* is occurring between men and women.

Personality Perspectives

The different approaches or perspectives to personality are:

- Biological
- Psychoanalytic
- Dispositional
- Learning
- Humanistic
- Cognitive
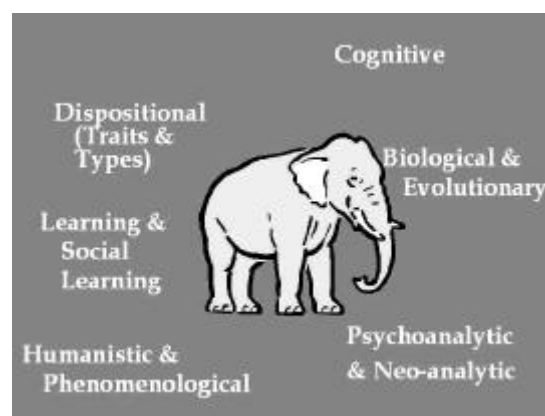
Let us make a comparison of the strengths and weaknesses of the strengths and weaknesses of the different prevalent perspectives on personality.

Overview of personality perspectives' strengths & weaknesses

Perspective	Strength	Weakness
Biological	Testable theories with increasing validity & efficacy	Doesn't grapple with "personhood" & sense of personal self
Psychoanalytic	Attention to unconscious	Unverifiable? Sexist?
Dispositional	Good individual assessments techniques; Trait vs. Type approach	May label people on basis of scores; Overly-reliant on self-report instruments
Learning	Scientific analysis & practical application	Overlooks IDs present from birth
Humanistic	Optimistic, growth-oriented	Ignores scientific method
Cognitive	Captures active nature of human thought	Ignores unconscious

Theories of Personality

There are three major theories of personality we need to discuss in this lesson. They are:

a) *Freudian theory.*

b) *Neo-Freudian personality theory.*

c) *Trait theory.*

Freudian Theory

Sigmund Freud's **psychoanalytic theory of personality** is the cornerstone of modern psychology.

This theory was built on the premise that *unconscious needs* or *drives*, especially biological and sexual drives, are at the heart of human motivation and personality.

Id, Superego, and Ego

The *Id* is the "warehouse" of primitive and impulsive drives, such as: thirst, hunger, and sex, for which the individual seeks immediate satisfaction without concern for the specific means of that satisfaction.

Superego is the individual's internal expression of society's moral and ethical codes of conduct.

a) The superego's role is to see that the individual satisfies needs in a socially acceptable fashion.

b) The superego is a kind of "brake" that restrains or inhibits the impulsive forces of the id.

Ego is the individual's conscious control which functions as an internal monitor that attempts to balance the impulsive demands of the id and the sociocultural constraints of the superego.

Freud emphasized that an individual's personality is formed as he or she passes through a number of distinct stages of infant and childhood development.

These distinct stages of infant and childhood development are: oral, anal, phallic, latent, and genital stages.

An adult's personality is determined by how well he or she deals with the crises that are experienced while passing through each of these stages.

Who was Sigmund Freud?

**Sigmund Freud
(1856-1939)**

When psychology emerged as an independent scientific discipline in Germany during the middle of the 19th century it defined its task as the analysis of *consciousness* in the normal, adult human being.

Sigmund Freud however attacked the then traditional psychology. He likened the mind to an iceberg in which the smaller part showing above the surface of the water represents the region of consciousness while the much larger mass below the water represents the region of unconsciousness.

In this huge domain - the *unconscious* - Freud believed were the urges, passions, the repressed ideas and feelings - the great unseen forces which exercise an control over the conscious thoughts and deeds of the individual.

Freud's aim in life was to "agitate the sleep of mankind". In other words, Freud was interested in stirring the hornet's nest of human unconscious, which he succeeded in doing both academically and on a personal level with many patients and colleagues.

Freud was born in Moravia in 1856, attended the medical school of the University of Vienna for 8 years until 1881. His interest neurology caused him to specialise in the treatment of nervous disorders. He studied under the French psychiatrist Jean-Martin Charcot for a year, particularly in the area of hypnosis.

He tried hypnosis with his patients but was not impressed by its efficacy so he tried a new method of treatment devised by a Viennese physician - Joseph Breuer. This method was one in which the patient was cured of his or her symptoms simply be talking about them. Later he turned to the use of free association (instructing patients to say whatever came into their minds). One of his patients dubbed this therapy the "talking cure".

For over 40 years Freud explored the unconscious by the method of free association and developed the first comprehensive theory of personality. He became both extremely influential and extremely controversial in his day. The same is true now!

Related link: Sigmund Freud Biography

Structure of Mind: Freud's Id, Ego, and Superego

As mentioned above Freud came to see personality as having three aspects, which work together to produce all of our complex behaviours: the id, the ego and the superego. As you can see below, the Ego and Superego play roles in each of the conscious, preconscious, and unconscious, but that the

Freud's Structure of the Mind
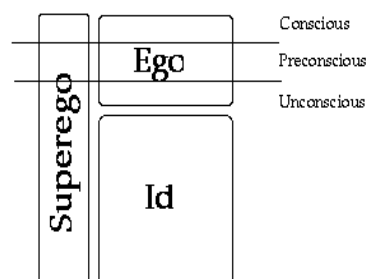
unconscious is the domain of the Id and a large proportion of the Superego.

THE ID ("It"): functions entirely in unconscious. It is the *irrational* and *emotional* part of the mind. At birth a baby's mind is all id - want want want. The Id is the primitive mind. It contains all the basic needs and feelings. And it has only one rule —> the "pleasure principle": "I want it and I want it all now".

THE EGO: ("I"): functions at all 3 levels of consciousness and might be called the *rational* part of the mind. It develops as a result of awareness that you can't always get what you want. The ego deals with the real world and operates via the "reality principle". It realises the need for compromise. Many modern ego psychologists believe compromise formation is one of the most important functions of the ego. The ego takes some libidinal energy away from id —> for planning, thinking, and controlling the id. Its job is to get the pleasures the Id wants but to be more reasonable, and less self-defeating about it. The ego both opposes (denies instant gratification) but also helps the Id to get what it wants (Ego acts as an agent for the Id in negotiating with Superego, to help it get the pleasure it wants, but maybe with a bit of delay or compromise).

THE SUPEREGO ("Over-I"): functions at all 3 levels. This might be called the *moral* part of the mind. The child begins the process of identification, usually with his or her parents, In other words someone he/she loves or admires (occasionally but rarely with someone he/she fears/loathes). The Superego becomes an embodiment of parental and societal values. It stores and enforces rules. Its power to enforce rules comes from its ability to create anxiety. It constantly strives for perfection.

The superego has two subsystems: *ego ideal* and *conscience*. The ego ideal provides rules for good behaviour, and standards of excellence towards which the ego must strive. So the ego ideal is basically what the child's parents would approve or value. The conscience is the rules about what constitutes bad behaviour. All those things that the child feels mum or dad will disapprove or punish are in here.

The Superego:

- Tries to completely inhibit any Id impulse which it thinks is wrong

- Tries to get the Ego to act morally rather then just rationally (which is what the ego tries to do)

- Tries to make the person behave in a perfect fashion (its perfectionism however, is quite removed from reality!).

Once the Superego develops, the Ego must simultaneously deal with the Id and its needs, the constraints of reality and the moral dictates of the Superego. This is a very difficult task and it is likely that the there will often be conflicts among these forces. According to the psychoanalytic view, such conflicts are an intrinsic part of the human experience. The term ego-strength is the term used to refer to how well the ego copes with these conflicting forces,. Freud believed there needed to be a balance among the forces:

- Id too strong = bound up in self-gratification and uncaring to others

- Superego too strong = feels guilty all the time, may even have an insufferably saintly personality

- Ego too strong = extremely rational and efficient, but cold, boring and distant

All 3 components need to be well balanced in order to have good amount of psychic energy available and to have reasonable mental health.

Freudian Theory and Product Personality

Those stressing Freud's theories see that human drives are largely *unconscious*, and that consumers are primarily unaware of their true reasons for buying what they buy.

These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality.

Neo-Freudian Personality Theory

Several of Freud's colleagues disagreed with his contention that personality is primarily instinctual and sexual in nature.

They argued that *social relations* are fundamental to personality development.

Alfred Adler viewed human beings as seeking to attain various rational goals, which he called *style of life*, placing emphasis on the individual's efforts to overcome *feelings of inferiority*.

Harry Stack Sullivan stressed that people continuously attempt to establish significant and rewarding relationships with others, placing emphasis on efforts to reduce tensions.

Karen Horney focused on the impact of child-parent relation-ships, especially the individual's desire to conquer feelings of *anxiety*. She proposed three personality groups: compliant, aggressive, and detached.

Compliant individuals are those who move toward 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.

A personality test based on the above (the CAD) has been developed and tested.

It reveals a number of tentative relationships between scores and product and brand usage patterns.

It is likely that many marketers have used some of these neo-Freudian theories intuitively.

Trait Theory

Trait theory is a significant departure from the earlier *qualitative* measures that are typical of Freudian and neo-Freudian theory.

It is primarily quantitative or empirical, focusing on the measurement of personality in terms of specific psychological characteristics called *traits*.

A *trait* is defined as any distinguishing, relatively enduring way in which one individual differs from another.

Selected *single-trait personality* tests increasingly are being developed specifically for use in consumer behavior studies. Types of traits measured include:

Consumer innovativeness—how receptive a person is to new experiences.

Consumer materialism—the degree of the consumer's attachment to "worldly possessions."

Consumer ethnocentrism—the consumer's likelihood to accept or reject foreign-made products.

Researchers have learned to expect personality to be linked to how consumers *make their choices*, and to the purchase or consumption of a *broad product category* rather than a specific brand.

Personality and Understanding Consumer Diversity

Marketers are interested in understanding how personality influences consumption behavior because such knowledge enables them to better understand consumers and to segment and target those consumers who are likely to respond positively to their product or service communications.

Consumer Innovativeness and Related Personality Traits

Marketing practitioners must learn all they can about **consumer innovators**—those who are likely to try new products. Those innovators are often crucial to the success of new products.

Personality traits have proved useful in differentiating between consumer innovators and noninnovators.

Personality traits to be discussed include:

Consumer innovativeness.

Dogmatism.

Social character.

Need for uniqueness.

Optimum stimulation level.

Variety-novelty seeking.

Consumer Innovativeness

How receptive are consumers to new products, new services, or new practices?

Recent consumer research indicates a positive relationship between innovative use of the Internet and buying online.

Dogmatism

Dogmatism is a personality trait that measures the degree of rigidity an individual displays toward the unfamiliar and toward information that is contrary to their established beliefs.

Consumers low in dogmatism are more likely to prefer innovative products to established ones.

Consumers high in dogmatism are more accepting of author-ity-based ads for new products.

Social Character

Social character is a personality trait that ranges on a continuum from inner-directed to other-directed.

Inner-directed consumers tend to rely on their own "inner" values or standards in evaluating new products and are innova-tors. They also prefer ads stressing product features and personal benefits.

Other-directed consumers tend to look to others for direction and are not innovators. They prefer ads that feature social environment and social acceptance.

Need for Uniqueness

These people avoid conformity are the ones who seek to be unique!

Optimum Stimulation Level

Some people prefer a simple, uncluttered, and calm existence, although others seem to prefer an environment crammed with novel, complex, and unusual experiences.

Persons with *optimum stimulation levels (OSLs)* are willing to take risks, to try new products, to be innovative, to seek purchase-related information, and to accept new retail facilities.

The correspondence between an individual's OSL and their actual circumstances has a direct relationship to the amount of stimulation individual's desire.

If the two are equivalent, they tend to be satisfied.

If bored, they are understimulated, and vice versa.

Variety-Novelty Seeking

This is similar to OSL.

Primary types are *variety* or *novelty seeking*.

There appear to be many different types of variety seeking: *exploratory purchase beha*vior (e.g., switching brands to experience new and possibly better alternatives), *vicarious exploration* (e.g., where the consumer secures information about a new or different alternative and then contemplates or even daydreams about the option), and *use innovativeness* (e.g., where the consumer uses an already adopted product in a new or novel way).

The third form of variety or novelty seeking—use innovativeness—is particularly relevant to technological.

Consumers with high variety seeking scores might also be attracted to brands that claim to have novel or multiple uses or applications.

Marketers, up to a point, benefit from thinking in terms of offering additional options to consumers seeking more product variety.

Ultimately, marketers must walk the fine line between offering consumers too little and too much choice.

The stream of research examined here indicates that the consumer innovator differs from the non-innovator in terms of personality orientation.

Cognitive Personality Factors

Market researchers want to understand how *cognitive person-ality* influences consumer behavior.

Two cognitive personality traits have been useful in understand-ing selected aspects of consumer behavior. They are:

a) *Need for cognition.*

b) *Visualizers versus verbalizers.*

Need for Cognition

This is the measurement of a person's craving for or enjoyment of *thinking*.

Consumers who are *high* in NC (need for cognition) are more likely to be responsive to the part of an advertisement that is rich in product-related information of description.

They are also more responsive to cool colors.

Consumers who are relatively *low* in NC are more likely to be attracted to the background or peripheral aspects of an ad.

They spend more time on print content and have much stronger brand recall.

Need for cognition seems to play a role in an individual's use of the Internet.

Visualizers versus Verbalizers

Visualizers are consumers who prefer visual information and products that stress the visual.

Verbalizers are consumers who prefer written or verbal information and products that stress the verbal.

This distinction helps marketers know whether to stress visual or written elements in their ads.

From Consumer Materialism to Compulsive Consumption

Consumer Materialism

Materialism is a trait of people who feel their possessions are essential to their identity.

They value acquiring and showing off possessions, they are self-centered and selfish, they seek lifestyles full of possessions, and their possessions do not give them greater happiness.

Fixated Consumption Behavior

Somewhere between being materialistic and being compulsive is being *fixated* with regard to consuming or possessing.

Like materialism, *fixated consumption behavior* is in the realm of normal and socially acceptable behavior.

Fixated consumers' characteristics:

A deep (possibly: "passionate") interest in a particular object or product category.

A willingness to go to considerable lengths to secure additional examples of the object or product category of interest.

a)   The dedication of a considerable amount of discretionary time and money to searching out the object or product.

This profile of the fixated consumer describes many collectors or hobbyists (e.g., coin, stamp, antique collectors, vintage wristwatch, or fountain pen collectors).

Compulsive Consumption Behavior

Compulsive consumption is in the realm of abnormal behavior.

Consumers who are compulsive have an addiction; in some respects, they are out of control, and their actions may have damaging consequences to them and those around them.

Brand Personality

It appears that consumers tend to ascribe various descriptive "personality-like" traits or characteristics—the ingredients of *brand personalities*—to different brands in a wide variety of product categories.

A brand's personality can either be functional ("provides safety") or symbolic ("the athlete in all of us").

Brand Personification

A *brand personification* recasts consumers' perception of the attributes of a product or service into the form of a "human-like character."

It seems that consumers can express their inner feelings about products or brands in terms of association with a known personality.

Identifying consumers' current brand-personality link or creating one for new products are important marketing tasks.

There are five defining *dimensions* of a brand's personality ("sincerity," "excitement," "competence," "sophistication," and "ruggedness"), and fifteen *facets* of personality that flow out of the five dimensions (e.g., "down-to-earth," "daring," "reliable," "upper class," and "outdoors").

Personality and Color

Consumers also tend to associate personality factors with specific colors.

In some cases, various products, even brands, associate a specific color with personality-like connotations.

It appears that blue appeals particularly to male consumers.

Yellow is associated with "novelty," and black frequently connotes "sophistication."

Many fast-food restaurants use combinations of bright colors, like red, yellow, and blue, for their roadside signs and interior designs.

These colors have come to be associated with fast service and food being inexpensive.

In contrast, fine dining restaurants tend to use sophisticated colors like gray, white, shades of tan, or other soft, pale, or muted colors to reflect fine leisurely service.

Consumers' like or dislike for various colors can differ between countries.

Self and Self-image

Self-images, or "perceptions of self," are very closely associated with personality in that individuals tend to buy products and services and patronize retailers with images or "personalities" that closely correspond to their own self-images.

Such concepts as one or multiple selves, self-image, and the notion of the *extended self* is explored by consumer behavior researchers.

The Makeup of the Self-Image

A person has a self-image of him/herself as a certain kind of person.

The individual's self-image is unique, the outgrowth of that person's background and experience.

Products and brands have symbolic value for individuals, who evaluate them on the basis of their consistency with their personal pictures or images of themselves.

Products seem to match one or more of individual's self images; other products seem totally alien.

Four aspects of self-image are:

Actual self-image—how consumers see themselves.

Ideal self-image—how consumers would like to see themselves.

Social self-image—how consumers feel others see them.

Ideal social self-image—how consumers would like others to see them.

Some marketers have identified a fifth and sixth self-image.

Expected self-image—how consumers expect to see themselves at some specified future time.

"Ought-to" self—traits or characteristics that an individual believes it is his or her duty or obligation to possess.

In different contexts consumers might select different self-images to guide behavior.

The concept of self-image has strategic implications for marketers.

Marketers can segment their markets on the basis of relevant consumer self-images and then position their products or stores as symbols for such self-images.

The Extended Self

Consumers' possessions can be seen to "confirm" or "extend" their self-images.

The above suggests that much of human emotion can be connected to valued possessions.

Possessions can extend the self in a number of ways:

Actually, by allowing the person to do things that otherwise would be very difficult or impossible to accomplish (e.g., problem-solving by using a computer).

Symbolically, by making the person feel better or "bigger" (e.g., receiving an employee award for excellence).

By conferring status or *rank* (e.g., status among collectors of rare works of art because of the ownership of a particular masterpiece).

By bestowing feelings of immortality, by leaving valued possessions to young family members (this also has the potential of extending the recipients' "selves").

By endowing with magical powers (e.g., a cameo pin inherited from one's aunt might be perceived as a magic amulet bestowing good luck when it is worn).

Activity 1

A marketer of health foods is attempting to segment his or her market on the basis of consumer self-image. Describe the four types of consumer self-image and discuss which one(s) would be most effective for the stated purpose.

Articles on Personality
Brand Personality

It's all about Personality

> *When product differences are not perceived, the brand's personality becomes the major differentiator and often drives the emotional reason for purchase.*

The cola majors constantly take pot shots at each other through their advertising on television. Clever lines, quips, one-upmanship and advertising victories apart, does this not become a drag on the audience after a while? How important are these 'fights' to the consumer in your opinion? Does this kind of 'confrontational advertising' make a difference to a consumer? Most seem to pass this off as a good laugh, but both brands are spending serious big bucks on creating and televising such ads.

THE role or objective of advertising is to create brand preference for the advertised brand. Advertising is an expenditure for the purpose of business and should be as carefully evaluated as capital expenditure or labour costs.

So, if I may answer the question as posed by Tanushree, I should say in my most serious tone that there is no role for clever lines, quips and one-upmanship in advertising. After all, which consumer of a soft drink is interested in the college-level humour which characterises at least some of the cola advertising campaigns. 'Confrontational advertising' has never sold a brand in the past, and will probably never do so in the future. Can we, then, consider this question answered?

I am afraid not. Because, we should never make the mistake of considering the cola majors to be people who do not know how advertising works, nor novices in the area of business management. The answer to this question may lie in understanding how advertising works and the role of the brand personality.

Advertising works through the understanding of consumer insights (that is, unsatisfied consumer needs) and by satisfying these needs by communicating unique, relevant and motivating 'reasons to buy'.

What are 'reasons to buy'? There could be functional, emotional and rational reasons to buy. Functional reasons to buy are what you do better than others, emotional reasons to buy are brand values which could be either inner directive or outer directive. Finally, rational reasons to buy are usually brand 'substantiators' which substantiate functional and emotional reasons for purchase.

In addition to functional, emotional and rational reasons to buy, an important reason to purchase a brand in preference to others in that category could be the brand's personality. The brand personality is simply defined as 'human personality traits attached to the brand' and is, in essence, the personification of the brand. When product differences, particularly functional and rational differences are not perceived, the brand's personality could and is a major differentiator and often drives the emotional reason for purchase. It is in building the brand personality, a key differentiator in cola and soft drink advertising, that we see much of the apparent jousting in the marketplace.

There should be no doubt in anyone's mind that Coke and Pepsi are two of the strongest brands in the market worldwide. In almost any list of strong brands, these two brands feature right on top. The reasons they do so is because both brands have a strong brand personality which drives consumer purchase and market shares. Some of the advertising which we see on a rational level, mistake for public 'one-upmanship', is a part - a well-conceived part of the brand building exercise. The aggressiveness of Pepsi, the character of Coke or the street-smart attitude of Thums-Up as displayed in its advertising is a part of the brand building exercise, in my view.

Having said that, I do believe that some of the individual advertisement has, perhaps, gone over the top and has not added to brand building but has been placed as a part of the ongoing fight between the two brands.

That is not good but much of cola advertising is indeed top class.

Giving Brands an Identity .

The recent series of TV ads for the Toyota Qualis are extremely watchable. But one cannot help but wonder what the connection is between the advertisement and the Toyota Qualis. What purpose do ads such as these serve? Are they aimed merely at creating interest in the product or is there some deeper objective? — Ram Kumar, Chennai

A successful advertisement is one that helps to build a strong brand by giving the brand a specific identity and by providing a reason or rationale for purchasing the brand, be it a product or a service, in preference to similar products in the same category.

In order to do so, it is true that the advertisement must be noticed and projects the brand as being perceived to be the right choice by the target customer. Indeed, there is some evidence to suggest that advertisements that are well liked are invariably superior to advertisements that are less appreciated.

What is all this to do with the Toyota Qualis advertisement? The campaign that is currently on air and in print is primarily meant to make the point that the Qualis is very roomy and there is sufficient space for the extended family or, in the print advertisement, space for all the beautiful girls in the world.

This point hs been made in an interesting, emotional and amusing manner. However, the advertisement is not just about fishing and emotion because it also highlights the spaciousness and the carrying capacity of the Qualis.

The objective of this advertisement as, indeed of all advertising, is to strengthen the brand equity by highlighting the brand identity (Who am I? What do I do? And how am I different from others?) while communicating the brand proposition (or, what some call the brand position) which simply means the answer to the question Why buy me in preference to others?

Does the Qualis ad do this successfully? I think the advertisement is attempting to do so through an interesting and amusing piece of communication that single-mindedly concentrates on the fact that the Qualis is a roomy vehicle, which is why it is the preferred choice of those who want to purchase a multi-utility vehicle.

However, is that enough to make Qualis the choice of anyone who is looking for a vehicle in that price range?

In my view, maybe not. The Qualis is a vehicle in a category that competes with the Tata Sumo and the Mahindra Armada. These are very powerful cars, marketed in the US as off-roaders, which means that they have 4x4 wheel drive, excellent suspension and a powerful yet sexy exterior.

Qualis does not even attempt to be any of these and in terms of its personality, is not quite what is expected of a vehicle in this category.

Hence, in my view, though Qualis has built itself a unique and specific image as a roomy vehicle, it has perhaps not been able to combine this with other necessary benefits in this category of four-wheelers.

Zen and the Art of Brand Maintenance

> *Static patterns of quality can never survive forever in a society because once they do, society turns rigid and rusts. Pirsig singles out dynamic quality which is constantly changing. Which is why we find newer fashions, newer products and revolutionary ideas which keep society moving.*
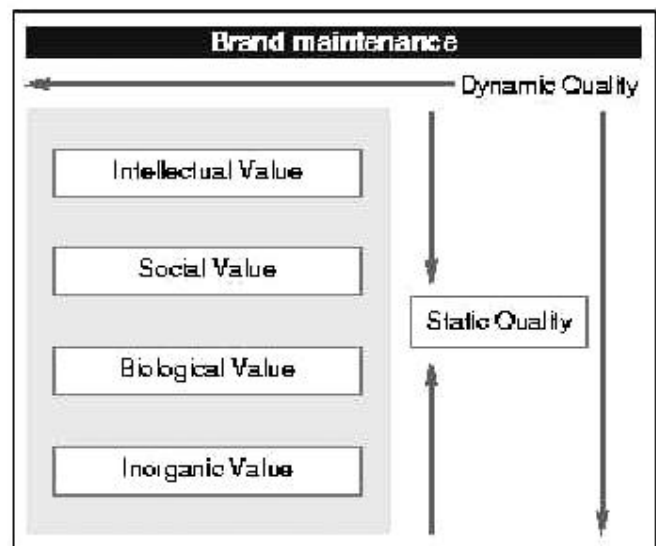
QUALITY is an event and can't be defined. Quality creates the subject and the object. Quality or the event therefore creates the consumer and the brand. Unless the subject in interface with the object does not find quality in the object (here, the brand), the subject, the consumer, will not buy the brand.

I plan to use Pirsig's MoQ (Metaphysics of Quality - Robert Pirsig is author of *Zen and the Art of Motorcycle Maintenance*) model to understand brands from the subject-object metaphysics debate. This model is appreciative in nature, somewhat similar to Maslow's hierarchy of needs model. Consumption requires both the subject and the object. Therefore, in marketing, the subject and the object are inseparable. They form an event which is a level higher, which is Quality.

I shall start first with identifying the subject, i.e., the consumer's value system or values, thereby indirectly hinting at the object, i.e., the product or brand.

Now we all know that man is not inorganic, i.e., 'substance', which is inanimate. On the higher level, the biological side, man's needs are primarily biological or physiological, which implies that man needs food, shelter and clothing for his basic sustenance. In which case, products will have to be basic and functional in nature. Commodities and unbranded goods will generally be bought at this level.

On the social side, the consumer buys goods to attain membership with his class. There is a need for affiliation with his peer group or his social class. Marketers frequently associate their goods with a particular social strata in order to appeal to the consumer. Therefore, the consumer now finds quality in the brand during purchase.

The highest level of the static quality side is the intellectual level where consumers act as individuals in order to differentiate themselves from the rest. The consumer finds a need to display his unique persona.

Static patterns of quality can never survive forever in a society because once they do, society turns rigid and rusts. There is no progress, no evolution. Which is why Pirsig singles out dynamic quality which is constantly changing. Which is why we find newer fashions, newer products and revolutionary ideas which keep society moving.

The most important role played by marketers is on the dynamic quality side. True to their nature as mythmakers, they propagate new symbols and new products which disrupt the current static social patterns. In short, they rock the boat. The new-found product then percolates from the top to the bottom gradually. The new product diffusion models work this way.

Now, we may ask what is the lesson marketers can learn? How does one experience quality in the object? Quality is experienced based on one's value systems, which are learnt through numerous influences - social groups, family, media and so on. Each person's value systems are unique and normally follow the above pattern as indicated. An unbranded *atta* or a low priced *atta* consumer finds biological value in the experience and therefore, derives positive quality from the event.

As indicated above, the model is an attempt to understand brand-building from both the subject and the object's point of view - marketing attempts to develop products from understanding the consumer in terms of his needs, motivations and so on. Therefore the model implies that understanding the consumer's value systems or his place in the static quality side can help develop the right product so that the consumer experiences quality in the brand. Now how can this model be used in practical terms? In order to do that marketers must first determine the consumer's value-systems or values which drive his consumption behaviour in the market. This can be done by using existing methods such as Rokeach's Value Survey/List of Values (LOV) method/Means-Ends analysis, wherein the fundamental idea is to measure the terminal values of the consumer in interface with the product. A product's attributes leads to suitable benefits for the consumer, which is instrumental in achieving his terminal value in life. This terminal value is the consumer's value system. This terminal value drives his consumption in the market. Now, a terminal value, i.e., an end state, could be a social recognition for a consumer. In which

case, this consumer values or derives quality from his experience from such a product which can offer him such a terminal value. For a consumer whose terminal value is self-fulfilment will derive quality from a product which helps him to differentiate his unique personality from others.

Once the value systems of the consumers are isolated, clusters can be made so that the size of each segment can be determined, based on which the product can be developed. All brand messages in the form of communication, packaging, and so on can be designed around the benefits instrumental in achieving the terminal value of the target consumer.

Marketers can use the MoQ model to identify the basis for quality or finding value in their offering. Brand loyalty measurements can also be made through this model. Brand loyalty is not a direct function of satisfaction. Brand loyalty, i.e., wherein the consumer continues to find quality in the brand, derives from values which is a function of satisfaction with the brand. Values drive loyalty, i.e., 'quality'. Satisfaction from the consumption experience, which helps the consumer in achieving his end state, will lead to the consumer deriving quality from the experience. The consumer, therefore, values the brand and will keep buying the brand till the time he sees quality in the event/experience.

Now, how can the loyalty process be measured? Terminal values are generally enduring in nature. Terminal values are few in nature. It is only the nature of the product benefits desired to achieve the end state which will keep changing, as newer value-additions enter the market.

The benefits, i.e., rational/emotional/symbolic offered therefore, will have to remain relevant in the minds of the consumer for the brand to be valued constantly. Brand loyalty measurements can be done by constantly monitoring the benefits being offered/desired in the market to the value segments and the subsequent correlations with purchase behaviour changes. When constant monitoring of the segment (where the marketer is present) in terms of benefits offered and subsequent purchase behaviour changes are determined, one can understand the changes or developments in that particular segment. When benefits are no longer desired, this will lead to a loss in the market share.

I shall end with an interesting question to ponder. Does the value system remain stable across all product categories, wherein the consumer exhibits the same patterns in different quality events? If no, why not?

B2B and Branding

B2B managers can take a leaf from the books of consumer marketers who go to great lengths to nurture a brand.

IF I make a statement that branding is still a mystery to many business-to-business marketers, I am sure many of my readers will agree. Why do business-to-business marketing and advertising managers have such a hard time with the concept of brand image? Their consumer counterparts surely don't have this problem.

Consumer marketers recognise that brand image is one of their most valued assets, something to be lovingly nurtured and

watched over with the greatest of care. They will do whatever it takes to protect that brand equity, including such drastic measures as recalling every product when reports of tainted or defective products are received. Many consumer product marketers even have developed a 'personality' for their brands consistent with strategic selling points that customers regard as important (e.g. Lifebuoy and health, Lux and movie star beauty).

Most B2B managers, on the other hand, still think their customers buy features and benefits and are not influenced by brand image. It is time for us to come out of the dark ages, don't you think? Especially when most of the small and medium businesses are in the B2B arena.

Experts have given various opinions on surviving in a world of parity products. For instance, there is a five-step 'parity ladder' in which revolutionary new products are created, followed by copycat competitors, then some with worthwhile new features better than the original. Eventually, however, it becomes harder and harder for customers to differentiate between suppliers. At the fifth level, all products and services are essentially viewed as equal, which, by the way, is where the personal computer industry now finds itself after less than two decades.

This expert's recommendation was to build the image of the company behind all those products and services. And with good reason, too. He talked about creating a personality for the company, one a customer wouldn't mind dealing with. In his excellent book, *Integrated Marketing Communications*, Don Schultz conveys similar thoughts about brand image. He says, "In a parity marketplace, the only real differentiating feature that a marketer can bring to consumers is what those consumers believe about the company, product, or service and their relationship with that brand." Schultz and co-authors Stanley Tannenbaum and Robert Lauterborn devote a significant portion of their book to such factors as brand networks, brand contact paths, brand personality and building a brand focused structure. I guess you can `brand' them as being solidly behind the concept.

So, why all the confusion among business-to-business practitioners? One reason might be that many business and industrial companies do not view the advertising function as strategic. They push it down organisationally to the level of "doing brochures" and assign it to `watchguard' managers who have other, more important, responsibilities. The closest that marcom (marketing communication) people in situations like this get to branding is at the product level, and even then, it is not carefully thought through. Most certainly it is not coordinated from one product group to the next.

Another problem frequently encountered is accountability metrics. David Aaker, author of *Managing Brand Equity*, says, "Instead of focusing upon an asset such as a brand, too often `fast-track' managers get caught up in day-to-day performance measures that are easily available." This includes quarterly sales quotas, market share figures or stock prices, for example. As we all know, building images takes a while. If you are preoccupied with showing results this quarter or even this year, it is doubtful you will put much effort into brand image building.

Maybe we have been conned by salespeople who think they can sell refrigerators to Eskimos without regard for the brand image of the particular refrigerator they have available. Despite mountains of research showing the correlation between a quality image and such things as market share, higher pricing, ROI and profitability, many managers remain ambivalent on the need to invest in brand image development. Even if they give it lip service, there never seems to be enough money to go around at budget-crunching time. We end up earmarking funds for more pressing things like product literature and trade show displays.

I am not saying that product literature and trade show displays are not important. Those activities have been a big part of my life, to be sure. I would just like to raise our sights to include image development programmes that will affect how the product brochures and trade show promotions likely will be perceived in the minds of our customers and prospects. I do have a favourite book on the subject of brand image development: *Romancing The Brand* by David Martin, founder and former chairman of Virginia-based Martin Agency. The fourth chapter of Martin's book is called The Hat Trick. It referred to the practice of "getting up off your chair, putting on your hat and going outdoors to find out what the prospect wants".

Martin's first job in advertising was to do this kind of in-person research for a copywriter at an ad agency. He went to hardware stores for Black & Decker to talk to salesmen about power tools. Why did they recommend a particular brand? What did they like about Black & Decker? What about the competition? He then took the 'who, what, where, when and why' back to the copywriter who would use that information as the foundation for his ad.

I think this is the missing link for B2B advertisers today, because most of us never get to talk to real customers or, in some cases, people who even know real customers. If we did, we would be more acutely aware of branding opportunities, as well as potential branding problems. And we would put more effort into making sure our brand image was consistent with the needs and priorities of our customers. The solution may be as simple as getting B2B marcom people out of our chairs, face-to-face with real customers who have real attitudes and preferences about the companies we represent.

When Branding Gets Lyrical

Branding in menswear has become very descriptive with names like Farm Fresh, Ambrosia and Herbaceous being bandied about. Is it all poetry and praise or do brands really have a story to tell? Catalyst looks at how brands preen.

When branding gets lyrical

THESE are examples of more and more picturesque speech. Phrases evocative and eloquent, conveying all that they want you to understand. Your English teacher's delight; a copywriter's triumph. Virtually a masterpiece each, they make you wonder: are they all they claim to be, or is it some artful dressing-up that the customer is witnessing?

Will a rose by any other name smell as sweet? Will a shirt with a plain vanilla name sell as much? Obviously not, if the manufacturers' marketing moves are anything to go by. Menswear is a delicious hunting ground not only for the forms the language seems to manifest itself in, but for the myriad choices it seems to offer. Calling a shirt a shirt is blasphemy; why, it's not even the truth. Bottomwear isn't diapers, but it's more than trousers and shorts. Masculine is no longer brooding browns and greys or anaemic pastels - this season, it's an iridescent lilac, a glittering blue, a glorious tangerine, a bright mint green, a splendid cream, sunshine and twilight... And for value addition, there are trousers which will accommodate all the modern gizmos that today's man needs and not breathe a word about it through unsightly lumps, there's odour-free to let others believe you're squeaky clean, fabric which promises to keep you five degrees cooler in summer's sweltering heat... the list can go on and on.

Sample these: Farm Fresh Colours of Monet, Signatures in Silk, Ambrosia, Gods & Kings, Perma Press, Ice Touch, Uncrushables, Friday Dressing, Sartorial Collection, Citrus Collection, Honest Trousers, Spy Pants, Mobile Pants, Legware, Stretch, Changeant, Hawaiian Conference, and yes, Herbaceous.

However, how much of this is real? And how does it work beyond being a load of hype and hoopla? According to Mr Vasant Kumar, Vice-President (Marketing), Madura Garments, which owns an array of brands and collections, "To an outsider, the way a brand is being promoted may look incongruous, but to the brand loyalist, branding provides an immediate connect when he walks into the showroom." According to Amitabh Suri, Product Manager at Indian Terrain, the brand promoted by the Chennai-based Celebrity group, "The brand needs sex appeal to sell. All these are ploys to make apparel more interesting." Anees Noorani, Managing Director of Zodiac, says detailed branding gives information to the end consumer who

wants information on fashion and colour trends and communicates to him the different segments that the range addresses. For instance, Zodiac's American University Plaids and Changeant belong to the semi-formal segment, while its recent Structured collection is formal. According to Sheik Abdul Taher, partner in Chennai-based ad agency Radical, "Branding is the only differentiator." Most aspects of menswear, be they styling, fabric, design, wash or colours, are not proprietary and this is where branding comes in to give one brand an edge over the other. His partner, Raj K. Jacob, mentions, however, that for Basics, the menswear account they handle, they've stuck to generics such as chinos and khakis. "A new name is difficult to sell as its needs that much more exposure," he says.

Radical says the opportunities for branding multiplied from 1993, when technology for finishing, washing and dyeing came into India on a large scale. Surplus capacity with the exporters was channelled into the domestic market. Parity in terms of style, fabric and design was created very fast and brand owners had to invent something to ensure their product stood out from the rest.

Another interesting aspect of menswear today is the colours it comes in. Indian Terrain's Suri swears that the white shirt with pista green and orange stripes lying on his table is workwear and is doing great business in the North. In fact, lavender and lilac are the colours for this season, across the world. Purple in its various hues, bright auburns, electric blue, citrus, turquoise - all these speak for the new male, his chutzpah, his attitude. Not pure testosterone, more androgynous. "Hey, we have a right to be peacocks too, it's not just women who can look beautiful," cries Taher in mock indignation. Parmit Chadha, CEO, Paradigm Management Knowhow Pvt Ltd, a Chennai-based research agency, believes this is part of the larger trend that has men getting facials, manicures and colouring their hair. "Even cars are available in colours they weren't a few years ago," points out Chadha.

Zodiac's Noorani is quite categorical when he says colours like lilac, when they are in fashion for men, are "most masculine, and that is when one sees them from Zodiac". Colours such as orange and bright green, at a point of time, have been fashionable for casualwear, he avers.

Indus League's Director (Marketing), Fazle Naqvi, agrees that the new colours were not traditionally associated with men but "Indian men have come to realise they are able to carry off lighter shades well." He cites Indigo Nation's Ambrosia collection, a complete range of shirts in pastels, as a case in point. "It is necessary to use brand names which depict the type of fashion being promoted," he says.

Allen Solly, the Madura Garments brand that's credited with starting the formal but relaxed Friday Dressing concept in the country, calls its latest collection of blended oranges, yellows, greens and blues the 'Hawaiian Conference'. According to Chadha, "Men are slowly but surely paying attention to looking good."

However, Radical's Taher and Raj are quick to point out that all this doesn't mean the consumer is running away from classics. Pinstripes, tweeds, terriwool trousers and button-down shirts are still in, and remain the choice when it comes to attending a

wedding or a formal event. As Taher puts it, "Formal clothes are not seen and heard much but casual are. It's a 50-50 situation." According to him, Genesis, a formalwear brand, sells as much as Basics does, but it's not as visible as Basics. Incidentally, he adds that the colours perceived as very `now and with it' were available even earlier but faded fast as the technology to bind those dyes was not available.

The plain and solid will steadily and constantly sell but men in the 35-45 age group are willing to experiment, says Indian Terrain's Suri, pointing out that many men nowadays even wear jewellery. "Daddies who want to remain young" are also buying clothes which are experiments with colours, style and cut.

However, amidst all this, he says, the product ends up being the hero, not the customer. "It's the customer who should feel he's this mucho macho, individualistic hunk and that what he wears is accessory to his personality," he remarks. Fashion lures people into buying the core products, it creates awareness and plays on the psychology of the consumer. Black, which once made for a negative perception, is in vogue as "anti-fashion", he states.

Apart from all this, there are the latest technology innovations that make for more branding and blitz. While wrinkle-free and stainguard are innovations that have been around for a while, now you have trousers for your mobile phone, palmtop, keys and other paraphernalia, odour-free shirts and sanitised socks to ensure you come out smelling of roses, fabric which promises it will keep your cool in summer... While most brand managers interviewed for this article agreed that these were definite value additions, some, like Indian Terrain's Suri, also said that to keep the excitement up, trousers for cell-phones were being branded as such because all the other virtues - the fabric, fashion, cut, cloth, wash - had all been talked about.

Zodiac's Noorani sees these features yielding long-term increase in sales if they truly add value; otherwise, only a short-term spike. Indus League says it came out with its Digital Trousers because it believes people are always looking for excitement and innovation. However, Radical says its client didn't launch cell-phone trousers because they were not sure they'd live up to their promise. Moreover, they also had some doubts about whether there actually was a need for those. Also, Raj questions, "Who would want to have pockets all over their trousers?" Taher acknowledges, nevertheless, that they are seen as innovative and have a salutary effect on other products in the brand. There is also some scepticism that unless you have absolutely slim mobile phones, such trousers won't work.

Paradigm's Chadha says he's not sure how sustainable branding and premium pricing based on the 'technical' or design aspects of the clothes is - these elements add value to every market player's product and do not offer a competitive advantage. So how exclusive would they continue to be? As Indus League's Naqvi puts it, "We are living in the 'age of individuality' where people like to 'stand out' even amongst their own cliques."

The wheel has come full circle. Peacocks are male and men are realising that it's more than okay to primp and preen. If being a modern, complete man brings out the woman in you, so be it. The brand managers are ever ready to pander to your vanity and cater to your varied tastes. It's a material world, after all.

Points to Remember

What is Personality?	The inner psychological characteristics that both determine and reflect how a person responds to his or her environment.

The Nature of Personality

- Personality reflects individual differences
- Personality is consistent and enduring
- Personality can change

Theories of Personality

- Freudian theory
  - Unconscious needs or drives are at the heart of human motivation
- Neo-Freudian personality theory
  - Social relationships are fundamental to the formation and development of personality
- Trait theory
  - Quantitative approach to personality as a set of psychological traits

Figure 5.2 A Representation of the Interrelationships among the Id, Ego, and Superego

Gratification ← ID System 1

EGO System 3

SUPEREGO System 2
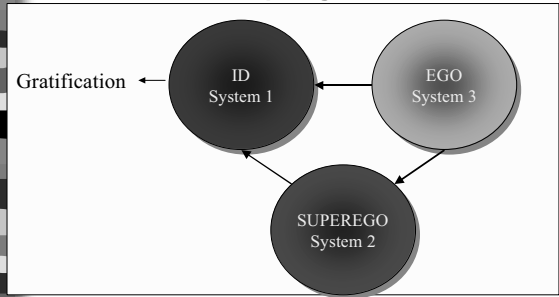
Freudian Theory

- Id
  - Warehouse of primitive or instinctual needs for which individual seeks immediate satisfaction
- Superego
  - Individual's internal expression of society's moral and ethical codes of conduct
- Ego
  - Individual's conscious control that balances the demands of the id and superego

Freudian Theory and "Product Personality"

- Consumer researchers using Freud's personality theory see consumer purchases as a reflection and extension of the consumer's own personality

Compliant Personality	One who desires to be loved, wanted, and appreciated by others.

Detached Personality	One who moves away from others (e.g., who desires independence, self-sufficiency, and freedom from obligations).

Aggressive Personality	One who moves against others (e.g., competes with others, desires to excel and win admiration).

Trait Theory

- Personality theory with a focus on psychological characteristics
- Trait - any distinguishing, relatively enduring way in which one individual differs from another
- Personality is linked to how consumers make their choices or to consumption of a broad product category - not a specific brand

Personality Traits and Consumer Innovators

- Innovativeness
- Dogmatism
- Social Character
- Need for uniqueness
- Optimum stimulation level
- Variety-novelty seeking

Table 5.2
A Consumer Innovativeness Scale

1. In general, I am among the last in my circle of friends to buy a new (rock album[a]) when it appears[b].
2. If I heard that a (new rock album) was available in the store, I would be interested enough to buy it.
3. Compared to my friends, I own few (rock albums).[b]
4. In general, I am the last in my circle of friends to know the (titles of the latest rock albums).[b]
5. I will buy a new (rock album), even if I haven't heard it yet.
6. I know the names of (new rock acts) before other people do.

Consumer Innovativeness	The degree to which consumers are receptive to new products, new services or new practices.

Dogmatism	A personality trait that reflects the degree of rigidity a person displays toward the unfamiliar and toward information that is contrary to his or her own established beliefs.

Dogmatism

- Consumers low in dogmatism (*open-minded*) are more likely to prefer innovative products to established or traditional alternatives
- Highly dogmatic consumers tend to be more receptive to ads for new products or services that contain an appeal from an authoritative figure

Need for Uniqueness	**Consumers who avoid appearing to conform to expectations or standards of others.**

Social Character

Inner-Directed
- Consumers who tend to rely on their own inner values
- More likely to be innovators
- Tend to prefer ads that stress product features and benefits

Other-Directed
- Consumers who tend to look to others for direction
- Less likely to be innovators
- Tend to prefer ads that feature social acceptance

Optimum Stimulation Levels (OSL)	A personality trait that measures the level or amount of novelty or complexity that individuals seek in their personal experiences. High OSL consumers tend to accept risky and novel products more readily than low OSL consumers.

Variety-Novelty Seeking	A personality trait similar to OSL, which measures a consumer's degree to variety seeking Examples: •Exploratory Purchase Behavior •Use Innovativeness •Vicarious Exploration

Need for Cognition (NC)

- Consumers *high* in NC are more likely to respond to ads rich in product-related information
- Consumers *low* in NC are more likely to be attracted to background or peripheral aspects of an ad

Cognitive Personality Factors

- Need for cognition
  - A person's craving for enjoyment of thinking
- Visualizers versus verbalizers
  - A person's preference for information presented visually or verbally

From Consumer Materialism to Compulsive Consumption

- Consumer materialism
  - The extent to which a person is considered "materialistic"
- Fixed consumption behavior
  - Consumers fixated on certain products or categories of products
- Compulsive consumption behavior
  - "Addicted" or "out-of-control" consumers

Materialistic People

- Value acquiring and showing-off possessions
- Are particularly self-centered and selfish
- Seek lifestyles full of possessions
- Have many possessions that do not lead to greater happiness

Compulsive Consumption Behavior

Consumers who are compulsive buyers have an addiction; in some respects, they are out of control and their actions may have damaging consequences to them and to those around them.

Fixated Consumption Behavior

- Consumers have
  - a deep interest in a particular object or product category
  - a willingness to go to considerable lengths to secure items in the category of interest
  - the dedication of a considerable amount of discretionary time and money to searching out the product
- Examples: collectors, hobbyists

Brand Personality

- Personality-like traits associated with brands
- Volvo - safety
- Nike - the athlete
- BMW - performance
- Levi's 501 - dependable and rugged

Figure 5.7 A Brand Personality Framework

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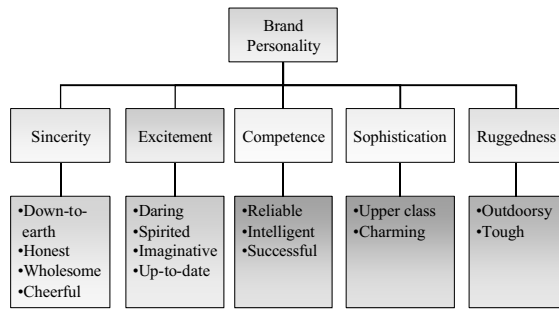
Notes

LESSON 19:
COMPONENTS OF COMMUNICATION

Introduction

As we can say without doubt, that communication function is the means by which organized activity is unified.

In this lesson we described how the consumer receives and is influenced by marketing communications. There are five basic components of communication: the sender, the receiver, the medium, the message, and some form of feedback (the receiver's response). In the communications process, the sender encodes the message using words, pictures, symbols, or spokespersons, and sends it through a selected channel (or medium). The receiver decodes (interprets) the message based on personal characteristics and experiences and responds (or does not respond) based on such factors as selective exposure, selective perception, comprehension, and psychological noise.

Objectives

After studying this lesson you should be able to:

* Define communication by enumerating the five elements of the communication process.

* Elaborate the bases of credibility for a communication source.

* Outline the factors affecting the target audience's reception of a communication.

* Describe the feedback process in communication.

1. Communication

If we put it simply, communication is the transfer of meanings, feelings and tones from one person to another person.

To be even simpler, *Communication is the transfer of information from the sender to the receiver with the information being understood by the receiver.*

Communication is the unique tool that marketers use to persuade consumers to act in a desired way.

Communication takes many forms: it can be verbal (either written or spoken), *visual* (an illustration, a picture, a product demonstration, a frown), or a combination of the two.

It can also be symbolic—represented, say, by a high price, premium packaging, or a memorable logo—and convey special meaning that the marketer wants to impart.

Communication can evoke emotions that put consumers in a more receptive frame of mind, and it can encourage purchases that help consumers solve problems or avoid negative outcomes.

In short, we can say that communication is the bridge between marketers and consumers, and between consumers and their socio-cultural environments.

2. Elements of Mass Communication

Most marketers would agree that communication is the *transmission of a message from a sender to a receiver via a medium (or channel) of transmission.*

An essential component of communication is *feedback*, which alerts the sender as to whether the intended message was, in fact, received.

This is what a basic model of communication would look like!
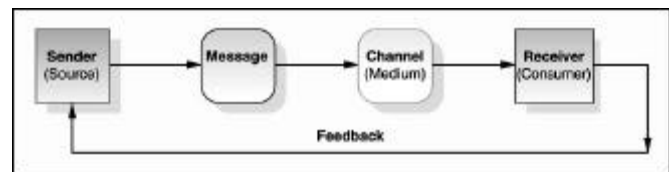
Let us now take a deeper look at all the elements in this basic model of communication.

The Sender

The sender is the initiator of the communication and can be a formal or informal source.

A *formal communications source* might be the organization communicating the message.

An *informal communications source* might be a parent or a friend who gives product information or advice.

Informal *word-of-mouth communication* tends to be highly persuasive.

The Receiver

The receiver is the targeted prospect or a customer.

There are also *intermediary* audiences for a message, such as wholesalers, distributors, and retailers who receive trade.

There are also *unintended* audiences, which include everyone who is exposed to the message, whether or not they are specifically targeted by the source.

The Medium

The medium is the channel or way the message is communicated.

It can be an *impersonal communications channel*, such as a mass medium like a newspaper or television program.

It can be an *interpersonal communications channel*—an informal conversation between two friends—or a formal conversation between a salesperson and a customer.

Mass media are generally classified as *print* (e.g., newspapers, magazines, billboards), *broadcast* (radio, television), or *electronic* (primarily the Internet).

Most marketers encourage consumers to "visit" their Web site to find out more about the product or service being advertised.

New modes of interactive communication that permit the audiences of mass media to provide direct feedback are beginning to blur the distinction between interpersonal and impersonal communication.

Direct marketers, using a type of interactive marketing, use databases to seek individual responses from print, electronic, and *direct mail*.

The Message

The message can be a *verbal* message, spoken or written, and usually can contain more specific product information than a nonverbal message.

Or, it can be a *nonverbal* message in the form of symbolic communication.

Nonverbal communication takes place in interpersonal channels as well as in impersonal channels.

The Feedback

Feedback is an essential component of both interpersonal and impersonal communications.

Prompt feedback permits the sender to reinforce, to change, or to modify the message to ensure that it is understood in the intended way.

Generally, it is easier to obtain feedback (both verbal and nonverbal) from interpersonal communications than impersonal communications.

AS we realize by now that as consumers we are all entities that are processing information and making decision, we have to consider how much information reaches us. Also, we have to consider how this information reaches us.

Essentially the process of communication has three elements

a. A source

b. A message

c. A destination or receiver

When we are talking about personal communication and the source is an individual, the message may be a speech or gesture or some other sign or signal. Also, the receiver may be either another either another individual or a group like you students. But, in the case, if we take the case of mass communication, the source is not in direct contact with the receiver, and the receiver will be a group or an aggregation.

IN the figure, 8.1 below we show how communication can be sent directly from the sender to the receiver.

SENDER	Senders field Of experience →	MESSAGE	Receiver's field of experience →	RECEIVER

Fig 8.1 Effectiveness of Communication

However, in the case of mass communication, or indirect communication, for that matter, a fourth element, i.e., a medium has to be used to deliver the message at the same timer to many people. The marketer in such case can choose from media options like print, outdoor, electronic etc.

Activity 1

1a. What factors influence the perceived credibility of an informal communications source? List and discuss factors that determine factors that determine the credibility of formal communications sources of product information.

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2. The Communication Process

In general, a company's marketing communications are designed to make the consumer aware of the product, induce purchase or commitment, create a positive attitude toward the product, give the product a symbolic meaning, or show how it can solve the consumer's problem better than a competitive product (or service) can.

If we expand the basic model of communication it would look something like this!
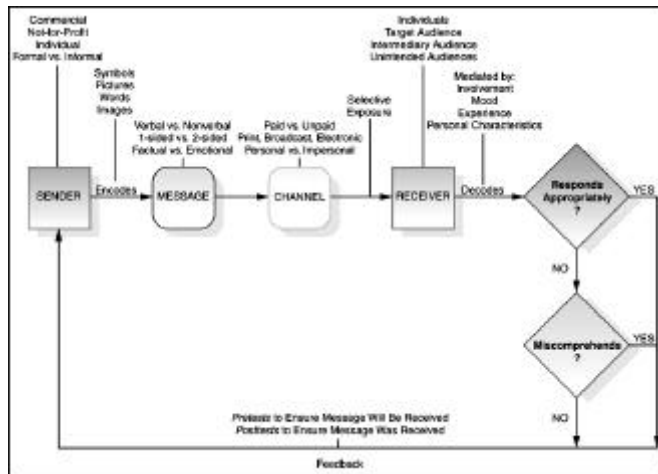
If we try to elaborate the communication process in simple words, we can say that the communication process involves a sender who transmits a message through a selected medium to a receiver. Let us look at a simplistic depiction of this communication process through an equally simple model. Figure 8.2 below shows this communication process model along with the steps involved.

Fig 8.2 A simple Communication model
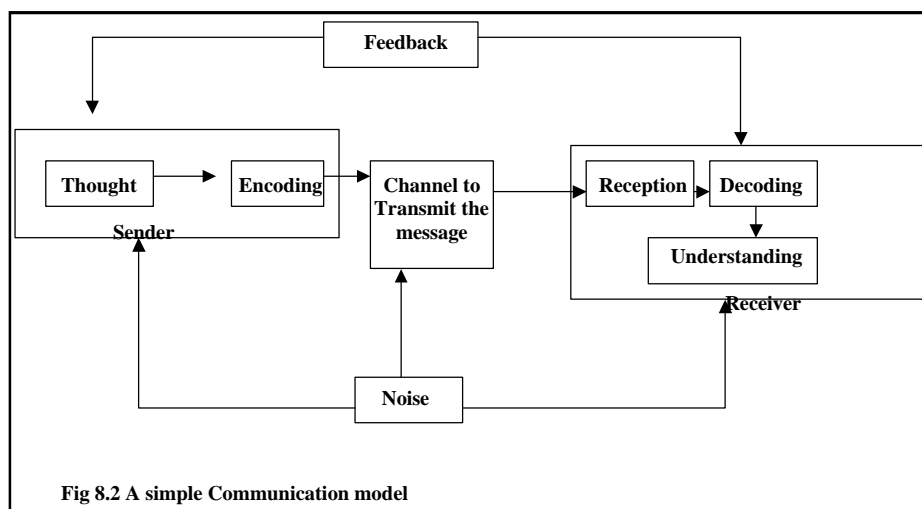
Let us now look at each of the components of this communication process model

The Message Initiator (Source)

The source (initiator) must encode the message in such a way that its meaning is interpreted by the targeted audience in precisely the intended way.

Encoding can be done through words, pictures, symbols, spokespersons, and special channels.

Publicity is usually the result of public relations efforts and tends to be more believable because its commercial origins and intent are not readily apparent.

What are the main issues related to the Source?

Credibility

How would credibility affect the source?

The *credibility of the source* affects the *decoding* of the message.

You will agree that the perceived honesty and objectivity of the source contributes to his/her credibility.

If the source is well respected and highly thought of by the intended audience, the message is much more likely to be believed, and vise-versa.

Credibility is built on several factors, foremost of which are the intentions of the source.

If the receiver perceives any type of personal gain for the message sponsor as a result of the proposed action or advice, the message itself becomes suspect.

Credibility of informal sources is built on the perception that they have nothing to gain from their recommendation.

An *opinion leader* is an example of a credible informal source.

Sometimes when we experience post purchase dissonance we often try to alleviate their uncertainty by convincing others to make similar purchases.

Credibility of formal sources is built on intention, reputation, expertise, and knowledge.

Such formal sources as neutral rating services or editorial sources have greater credibility than commercial sources.

We generally judge commercial sources based on their past performance, the kind and quality of service, the quality and image of products offered, and their position in the community.

You would have observed that Firms with well-established reputations generally have an easier time selling their products than do firms with lesser reputations.

Furthermore, you will also see that a quality image permits a company to experiment more freely in many more areas of marketing than would otherwise be considered prudent, such as self-standing retail outlets, new price levels, and innovative promotional techniques.

Institutional advertising is designed to promote a favorable company image rather than to promote specific products.

In fact many companies sponsor special entertainment and sports events to enhance their image and credibility with their target audiences. For example Hero Honda and Pepsi with Cricket.

Credibility of spokespersons and endorsers—the spokesperson that gives the product message is often perceived as the source.

Therefore, *his/her reputation is extremely important.*

An important aspect for you to note is that when consumer comprehension is low, receivers rely on the spokesperson's credibility in forming attitudes toward the product.

Also, when comprehension (and thus systematic information processing) is high, the expertise of the source has far less impact on a receiver's attitudes in interpersonal communications.

The synergy between the endorser and the type of product or service advertised is an important factor.

Endorsers who have demographic characteristics that are similar to those of the target audience are viewed as more credible and persuasive than those that do not.

But, remember that the endorser's credibility is not a substitute for corporate credibility!

Marketers who use celebrities to give testimonials or endorse products must be sure that the specific wording of the endorsement lies within the recognized competence of the spokesperson.

Consumer confidence in a salesperson is created in diverse ways.

The reputation of the retailer who sells the product has a major influence on message credibility.

Message credibility—the reputation of the retailer who sells the product has a major influence of message credibility.

The reputation of the medium that carries the advertisement also enhances the credibility of the advertiser.

You will see that there is no single answer as to which medium has the most credibility, especially at a time when new forms of media and traditional media in new forms are emerging.

The consumer's previous experience with the product or the retailer has a major impact on the credibility of the message.

Now let us see study the Effects of time on source credibility—*the sleeper effect.*

This would mean that the persuasive effects of high-credibility sources do not carry on over time.

Although a high-credibility source is initially more influential than a low-credibility source, research suggests that both positive and negative credibility effects tend to disappear after six weeks or so.

This phenomenon has been termed the *sleeper effect*—consumers simply forget the source of the message faster than they forget the message itself.

Reintroduction of a similar message by the source, however, serves to jog the audience's memory, and the original effect re-manifests itself.

The Target Audience (Receivers)

Receivers decode the messages they receive on the basis of their personal experience and personal characteristics.

Personal Characteristics and Comprehension

The amount of meaning derived from the message is the result of the message characteristics, the receiver's opportunity and ability to process the message, and the receiver's motivation.

One's personal characteristics, demographics, socio-cultural memberships, and lifestyle are key determinants of message interpretation.

Perception is based on expectations, motivation, and past experience.

Involvement and Congruency

A person's level of involvement determines how much attention is paid to the message and how carefully it is decoded.

Mood

A consumer's mood (e.g., cheerfulness, unhappiness) affects the way in which an advertisement is perceived, recalled, and acted upon.

The consumer's mood often is influenced by the context in which the advertising message appears (e.g., the adjacent TV program or newspaper story) and the content of the ad itself; these in turn affect the consumer's evaluation and recall of the message.

Barriers to Communication

Consumers selectively perceive advertising messages.

They tend to ignore advertisements that have no special interest or relevance to them.

TV remote controls offer viewers the ability to "wander" among program offerings with ease (often referred to as grazing).

Some marketers try to overcome *channel surfing* during commercials by *roadblocking*, i.e., playing the same commercial simultaneously on competing channels.

The VCR created problems for television advertisers by enabling viewers to fast-forward, or zip through commercials on prerecorded programs.

Psychological Noise

What is psychological noise?

Things that impair reception of a message, such as competing advertising messages or distracting thoughts are called *psychological noise*.

The best way for a sender to overcome psychological noise is to:

- Repeat exposure to the message.
- Use contrast.
- Use teasers.
- Place ads in specialized media

Feedback—The Receiver's Response

The ultimate test of marketing communications is the receiver's response.

Only through **feedback** can the sender determine if and how well the message has been received.

An advantage of interpersonal communication is the ability to obtain immediate feedback.

It permits rapid adjustment of the message.

This adaptability is what makes personal selling so effective.

Feedback is also important for **impersonal** or mass communication because of its expense.

The organization that initiates the message needs some method for determining whether its mass communication is being received by the intended audience, understood in the intended way, and successful in achieving the intended objectives.

Unlike interpersonal communications, mass communications feedback is rarely direct; instead, it is usually inferred.

Receivers buy (or do not buy) the advertised product; they renew (or do not renew) their magazine subscriptions, etc.

Another type of feedback that companies seek from mass audiences is the degree of customer satisfaction or dissatisfaction with a product purchase.

Advertising Effectiveness Research

Advertisers often try to gauge the effectiveness of their messages by conducting audience research.

When feedback indicates that the audience does not note or miscomprehends the ad, an alert sponsor modifies or revises the message.

Mass communications feedback does not have the timeliness of interpersonal feedback.

An important feedback mechanism for food and other packaged goods is based on the Universal Product Code (UPC) that is tied to computerized cash registers.

Generally, persuasion effects are measured through exposure, attention, interpretation, and recall.

Activity 2

1. Watch one hour of TV on a single channel during prime time and record the broadcast. List all the commercials you can recall seeing. For each commercial, identify

    a. The message framing approach used, and

    b. Whether the message was one-sided or two-sided.

Compare your list with the actual taped broadcast. Explain any discrepancies between your recollections and the actual broadcast on the basic of concepts discussed in this lesson.

2. For three of the commercials you watched in the above exercise, identify whether the marketer used the central or peripheral route to persuasion. Explain your answer and speculate on why each marketer chose the approach it used to advertise the product or service.

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Activity 3

Tick the correct choice

1. Communication is a tool marketers use to persuade consumers to act in a desired way. Communication takes many forms; it can be all the following except:
   a. verbal.
   b. visual.
   c. systematic.
   d. symbolic.

2. Marketers use symbolic communication messages, represented by all the following except:
   a. high prices.
   b. premium packaging.
   c. memorable logos.
   d. in-store product demonstrations.

3. The definition of _____ is the transmission of a message from a sender to a receiver via a medium of transmission.
   a. stimuli
   b. communication
   c. feedback
   d. the sender

4. Which of the following is not one of the major components of communication?
   a. sender
   b. receiver
   c. message
   d. price

5. Which of the following is an example of a formal communication source?
   a. a parent
   b. a friend
   c. a not for profit organization
   d. none of the above

Key Terms

- Formal communications source
- Informal communications source
- Word-of-mouth communication
- Impersonal
- Interpersonal communications channel
- Direct marketers
- Direct mail
- Verbal
- Nonverbal communication

- Encoding
- Publicity
- Decoding
- Opinion leader
- Institutional advertising
- Sleeper effect
- Psychological noise
- Feedback

Article 1
Consumer Communication

Consumer Electronics COS Spend More 'Below-the-line'

WITH ad spends by corporates declining is below-the-line spend also falling?

Not quite. If you take a look at the consumer electronics industry where below-the-line communication has played a crucial role in driving volumes. Mr Rajeev Karwal, Senior Vice-President, Philips India, says that almost 65 per cent of the annual advertising expenditure of around Rs 500 crore (2000-01) was spent on below-the-line communication. This includes a host of activities such as relationship marketing, promotions, visual merchandising, point of sale, events, mailers and exhibitions among others.

According to the latest data put out by the Centre for Monitoring Indian Economy (CMIE), in the consumer electronics industry, the average advertising cost as a percentage of sales for the year 2000-01 has gone up by 42 per cent over the previous year. Though this may not mean that there has been a direct increase in media spend, it is a definite indication that companies are earmarking larger portions of their turnovers towards promotional activities. In fact, this allocation of funds is being cited as one of the reasons for the reduction in incomes for agencies.

According to estimates, the total advertising spend across industries is around Rs 9,000 crore. The latest CMIE report reveals that the total media spend in 2000-01 was to the tune of Rs 6,500 crore. It also reveals that below-the-line spend has increased to about 50 per cent of the overall spend.

"There has also been a marked shift in spends - that is the budgets allocated to spend on media (print, TV, radio, outdoor, internet) vis-a-vis the money spent on below-the-line communication," points out a media planner.

For instance, Philips India, the 70-year-old player in the market spent around 4 per cent of its turnover on advertising in the year 2000-01. Of this, around 30 per cent was spent on below-the-line activities such as contests, promotions and events.

Says Mr U. Jayraj Rau, Vice-President and Client Services Director, HTA, "In the consumer electronics category, where the product quality has become parity, below-the-line messages at the retail outlet make a huge difference." Therefore, he says that there is also frequent `brand switching patterns' that one sees in this category.

Almost every consumer electronics brand spends on advertising and offers promotions and 'price offs', therefore what is crucial is the communication that happens at the retail outlet. "The POP displays and visual merchandising may be the clincher," says Mr Rau.

Despite the fact the that companies are aggressive about below-the-line communication, Philips' Mr Karwal, predicts that there will actually be a decrease in below-the-line spends. "There is a lot of wastage on tactical below-the-line spends," he says.

He believes that as consolidation happens, brands will focus on integrated marketing communications, which includes both above and below the line.

A typical communication programme would be an integrated package, which includes promotions, price-offs, POP displays and would thereby reduce wastage.

But Mr Rau argues that wastage in below-the-line spend is the same as in any other media. "Point out one medium where there is no wastage. The story continues in its generality - bad below-the-line, bad timing, bad implementation results in poor response and wastage," he adds.

Article 2
The Ethnic Way of Communication

> *Whatever the product, leveraging ethnicity to create advertisements that the market can easily identify with will go a long way.*
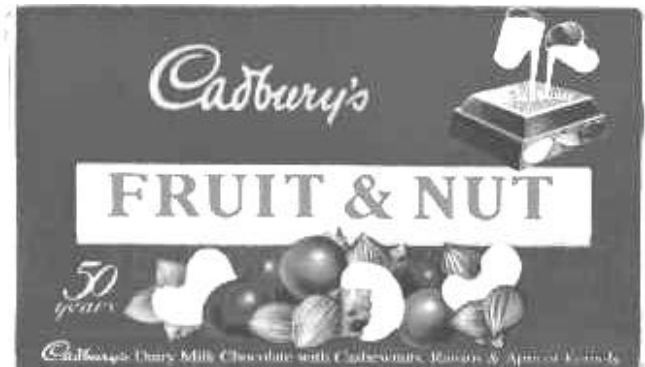
WHILE there may be a number of positioning strategies in the urban context that reflect the growing influence of Westernisation, there have been a number of communication campaigns which have been conveying the desired impact with an ethnic touch. There are many advantages to using the ethnic route (subject to the appropriate selection of target segments).

Ethnic appeals normally are drawn from the culture of the specific market which reflects the practices, rituals, taboos and behavioural orientation of values which have been passed on from one generation to another. These may also be useful to enable consumers to 'connect' with situations with which they are familiar.

While dramatisation of 'Westernised' situations could be effective through aspirational fantasy, specific situations drawn from the consumer's cultural settings will be useful because of a higher degree of identification through the sense of belonging

experienced by the consumer when he/she emotionally connects with the situation.

This could be best illustrated with the comparison between Titan's advertisement and Godrej's Storwel advertisements. The former has an element of dramatisation woven around the 'warmth' expressed by the 'gifting' behaviour. The aspirational fantasy element of gifting brought the brand into the consideration set of consumers who shopped for gifts (not just watches). The watch as a gift and the picturisation of the TV spots clearly reflect a Western orientation. The changing lifestyles, especially in urban markets, were conducive to such a positioning strategy.

In the case of Storwel (cupboard), the 'emotional' connect (though portrayed as a gift) is achieved by the backdrop of 'marriage context' in which the bride receives the brand as a gift. This campaign was launched after consumers were familiar with the brand and the emotional appeal enhanced the brand's equity.

The ethnic route

There are various ways in which a brand could be positioned using the ethnic approach:

- By identifying specific behaviour or practice which would be connected with the brand/product category

- By identifying specific values in a cultural context which would be inputs to marketing communication

- By identifying certain beliefs which need to be taken into consideration before an advertising campaign is formulated

- By combining elements of a specific culture with changing cultural trends (Westernisation)

- By capturing a sense of nostalgia associated with a specific culture

- By using 'stereotypes' which have been connected with a specific culture

- By identifying specific cultural traits, which could be used for product categories/brands.

A combination of several kinds of cultural dimensions makes it worthwhile for marketers to consider positioning strategies oriented towards culture.

Cultural Behaviour

There are different kinds of behaviour which could be associated with a specific culture. Some of these may have their origin in certain kinds of beliefs. These could be associated with product categories like, for example, the *bindi* worn by women in most parts of the country.

It is essential that a brand name selected for such a product category should have an 'ethnic sounding' name. A Western name is likely to be counter-productive. Tang, the orange juice, was initially introduced as a breakfast juice in a country where even in the upper strata of society such practices might be unusual.

An interesting example which effectively makes use of cultural behaviour is the Pepsodent commercial. Consuming snacks on the way to school (and back) is a 'cultural habit' passed on from one generation to another for the last several decades. It is

typical behaviour which the masses can associate with. The commercial for the toothpaste captures this (and the traditional behaviour of the mother scolding the child). This gets the attention of viewers before the brand benefit of 'protection' is conveyed effectively. Kellogg positioned itself as a breakfast cereal in a country where food preferences are very regional in nature. Food is a strong cultural dimension and any brand in the category would do well to take into consideration the cultural dimensions associated with food. Bread has been in the market for several years but it is still not a part of the staple food. It may be recalled that even Chinese food like noodles (Maggi brand) was positioned as a '2-minute' convenience snack for children making use of the cultural practice of providing home-made food for children which is prevalent across different social classes.

Similarly, natural ingredients have been used for skin care in India for ages. Nihar, Medimix and Vrinda in soaps and Meera in the shampoo category are examples of brands which have been effectively using this practice.

Also, the focus on 'whiteness' in clothes led to the creation of the 'whitener' category for clothes - initially Robin Blue, and Ujala during the '90s. It is a practice that's been followed for several years. The habit of applying soaps for washing clothes is so strong that a brand like Ariel, which pioneered the category of compact detergents at the higher end had to introduce a soap for the lower end of the market. It is further interesting to note that the brand had initially advertised that soap is not required if the compact detergent is used for washing clothes.

Another case: Samsung has introduced a washing machine exclusively for ethnic wear such as sarees to ensure that they did not get entangled. A major market which would have a lot of potential in the Indian context is the toy market. Mattel, Fisher and Funskool are Western brands. While there are a number of offerings in the unorganised sector, a toy brand based on rich and ethnic cultural heritage can be built.

Importance of Cultural Values

Cultural values matter to a number of product categories and positioning strategies. Charms, the cigarette for the youth launched in the '80s, became the rage among young smokers because the positioning was in consonance with the changing values - 'The spirit of freedom. Charms is the way you are'

symbolising adventure, independence and a non-conformist attitude. The jeans-like packaging added to this appeal. However, cultural values have not changed enough for marketers to launch a cigarette for women (Ms was the brand launched during the '80s).

Values are important because they reflect culturally acceptable behaviour. A decade ago, Valentine's Day cards may have been a taboo but today in urban markets they have caught on. Bacardi, the brand of liquor which was positioned on the 'spirit of enjoyment' platform, achieved success among its target audience because of changing values. The launch of Close-Up toothpaste during the '80s was perhaps ahead of the values which prevailed during those times. The 'Close-Up smile' was advertised through cinema halls and was positioned towards teenagers. Later on, the permissiveness was diluted with the group that was brought into Close-Up commercials.

There may also be certain beliefs which could have an impact on marketing communication. Vicco Turmeric Ayurvedic Cream positioned itself as a cream which would be useful for a "would-be bride" to enhance her complexion. Applying turmeric for skin care is a part of the Indian tradition.

Vicks Vaporub captured the emotional bond between the mother and son to convey the brand's benefit. Clinic Special also captures the traditional care a mother takes of the daughter. The 'family togetherness' is a cultural aspect which could be used by marketers. Lifebuoy has relaunched itself as New Lifebuoy towards the family. While family soaps like Protex and All Care do not seem to have met with great success, the 'togetherness' platform for the 107-year old Lifebuoy may be very appropriate given the rural presence of the brand.

Caring for the family is another appeal woven around the present day housewife's role. Trupti *atta* used this and currently Bharat Gas is using it as 'cooking food and serving love'.

While Pond's was almost a household name till the Eighties in the category of talcum powder, a significant cross-section of talcum powder users may have switched over to creams/lotions because of the belief that 'self-enhancing' powers are better with substitute products. A brand which has been accepted by masses on a cultural belief should launch several variants of the product/better alternatives of the product to the same segment to ensure that the segment stays with the brand. The cultural belief about beauty care would differ from one region to another and marketers in this product category have to be sensitive to the 'region-specific' tastes of the people. Even in the rural markets, those in Tamil Nadu and those in Bihar and Orissa exhibit different tastes and preferences more because of the cultural interpretation of beauty care and the beliefs and taboos associated with how a consumer should resort to beauty care.

Asian Paints presents a good example of a company's attempts to associate its brands with several festivities around the country. For example, several households, especially in semi-urban and rural areas of Tamil Nadu, may believe in repainting the house during Pongal to symbolically mark the beginning of a new year. Asian Paints created specific brands which were associated with such festivities.

Mixing Culture with Changing Trends

A type of effective cultural appeal consists of mixing certain cultural beliefs with trendy products or advertising. Promise, the toothpaste which had a successful run, highlighted the traditional clove oil used to control tooth pain. Cadbury's recent television campaign (for moulded chocolate) shows people of several age groups (traditional ones included) enjoying the chocolate. Traditionally, chocolate snacking was more associated with children in the Indian context; 5-Star targeted itself towards teenagers and in the past few years, Cadbury's moulded chocolate has been targeting adults belonging to various facets of life. Snacking is a part of the culture (children and adults) and positioning a chocolate for adults involves a mix of the tradition and overtones of Westernisation where chocolate is a favourite snack for adults as well. Cricket has been a part of the culture in most parts of India and Pepsi made it contemporary with its "for the younger generation" proposition reflecting fun and frolic and a strong association with cricket. Raaga collection from Titan is another example of contemporary positioning with ethnic overtones.

Cultural Traits and their Importance

'Indianness' is a trait which a few brands have used to make an impact on the target segment. 'Believe in the best', highlighting the superiority of Indian-made BPL products featuring Amitabh Bachchan, is an example of a specific cultural trait being used to strengthen the brand which had already built up an image over the years. The *Hamara Bajaj* campaign (the original and the new one) has a blend of modern lifestyle and ethnic beliefs and reflects the positioning that most externally 'Western-oriented' youngsters are still 'Indian' at heart. Ruf and Tuf produced an excellent commercial in which a modern youth reflects the cultural trait of respect for elders through 'We know English. We also know how to respect elders' bringing in an appropriate theme to reflect the cultural value.

Other Kinds of Cultural Appeals

A sense of nostalgia concerning a specific culture could be a good approach, especially for a brand which has been in the market for a number of years. Margo soap adopted this approach, showing a young woman being nostalgic for her childhood days. There was a strong cultural flavour to the nostalgia experienced. Grandmas are associated with traditional medicine and remedies. Ayurvedic Concepts (now the Himalaya brand) made use of such a stereotype to promote its offerings made from the traditional Ayurvedic preparations. Such stereotypes offer credibility to the brand. Bru also initially used a cultural stereotype of associating itself with the taste of filter coffee which is a part of South Indian culture.

Cultural dimensions could matter to a range of products and such inputs could be valuable to marketers - for both Indian and multinational brands.

Figure 9.1 Basic Communication Model

Sender (Source) → Message → Channel (Medium) → Receiver (Consumer)

Feedback
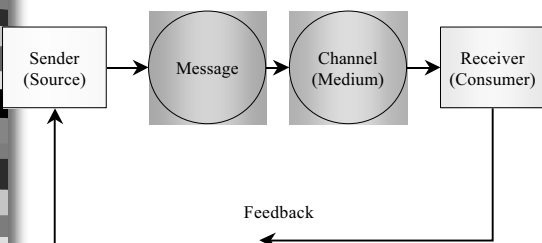
Issues in Credibility

- Credibility of Informal Sources
- Credibility of Formal Sources
- Credibility of Spokespersons and Endorsers
- Message Credibility

Elements of the Communications Process

- The Message Initiator (the Source)
- The Sender
- The Receiver
- The Medium
- The Message
- The Target Audience (the Receivers)
- Feedback - the Receiver's Response

Endorser Credibility

- Endorser credibility is important when message comprehension is low
- Match must exist between product attributes and endorser attributes
- Credibility is higher when endorser's demographic characteristics are similar to those of target audience
- Endorser credibility is not a substitute for corporate credibility

Sleeper Effect	The idea that both positive and negative credibility effects tend to disappear after a period of time.

Figure 9.3 Comprehensive Communication Model

Commercial
Non-Profit
Individual
Formal vs.
Informal

Verbal vs. Nonverbal
1-sided vs. 2-sided
Factual vs. Emotional

Selective Exposure

Individuals
Target Audience
Intermediary Audience
Unintended Audiences

Mediated by:
Involvement
Mood
Experience
Personal Charac.

Sender (Source) → Encodes → Message → Channel (Medium) → Receiver (Consumer)

Symbols
Pictures
Words
Images

Paid vs. Unpaid
Print, Broadcast, Electronic
Personal vs. Impersonal

Responds Appropriately? — Yes
No
Miscomprehends? — Yes
No

Pretests to Ensure Message Will be Received
Posttests to Ensure Message Was Received

Feedback

Barriers to Communication

- Selective Perception
  - Wandering, Zapping, Zipping, and Channel Surfing
  - Combat with Roadblocking
- Psychological Noise
  - Combat with repeated exposures, contrast in the copy, and teasers

LESSON 20:
DESIGNING PERSUASIVE COMMUNICATIONS

Introduction

We have understood by now, the importance of communication in knowing the consumer better. In this lesson, we deal specifically with how to design persuasive communications,. An important point here is that this particular topic is dealt in greater detail in the advertising Course book. Here, we will confine ourselves to study about the points to be kept in mind while designing persuasive communications, so that we are effective in communicating to our consumer.

Objectives

After studying this lesson you should be able to:

- Explain the elements of a persuasive communications strategy.

- Define and discuss the elements of a message strategy.

- Discuss involvement theory.

- Discuss the central elements of message presentation and their implications for marketers.

- Argue for or against the use of advertising appeals outlined in the text

Designing Persuasive Communications

Now that we have a fair idea about the basic elements of communication and the process of communication, we will try to understand how to be persuasive in our communications or how to design persuasive communications.

What are the key issues in designing persuasive communications?

They are:

1. Communications strategy
2. Media strategy, and
3. Message strategy

Let us study each of these issues in greater details.

Communications Strategy

The sponsor must first establish the primary communications objectives, which might be awareness, promoting sales, encouraging certain practices, etc.

For a long time, the cognitive models were used to describe the communications process.

Today, other models are gaining popularity.

One example is a model based on the key factors of perception, experience, and memory.
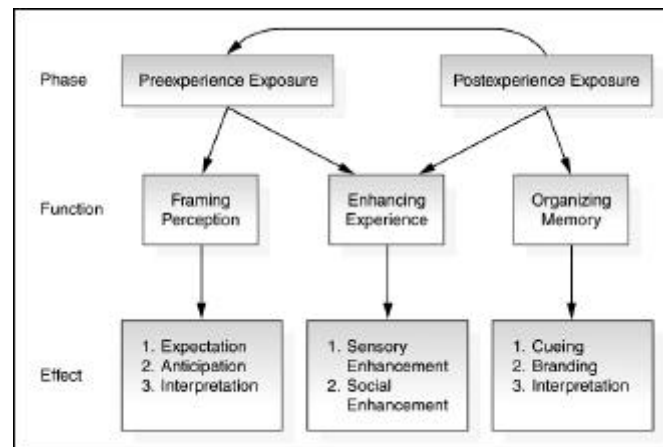
Target Audience

Selection of the appropriate audience is key.

It is essential that the sponsor segment the audience into groups that are homogeneous in terms of some relevant characteristic.

This enables the marketer to create specific messages for each target group and run them in specific media that are seen or heard by each target group.

There is a need for an umbrella message for all audiences from which they spin off specific messages for targeted segments.

Many organizations use public relations professionals to help them maintain a positive corporate image.

Media Strategy

First, the sponsor should develop a **consumer profile** of the target market.

Next, a medium with an appropriate **audience profile** needs to be selected.

Before selecting a specific medium, the advertiser needs to select a general media category that will enhance the message.

Once marketers have identified the appropriate media category, they can then choose the specific medium (or media) in that category that reaches their intended audiences.

How would you evaluate a medium/media before making the final choice?

Some of the more important criteria for evaluating a media plan are:

1) **Cost** of space/time- the price for a one-page ad or a 30 second TV spot

2) **Reach**- The size of the audience reached (ex. Times of India circulation of 1,432,000)

3) **Audience composition**- description of the audience in terms of various demographic characteristics such as age, income, or education.

4) ***Impact*** - is one media type more forceful at commanding attention than another

5) ***Exposure value*** - evaluation of a given media vehicle may be undertaken on the basis of cost per thousand (CPM) exposures.

Message Strategies

What is a message?

It is the thought, idea, attitude, image, or other information that the sender wishes to convey to the intended audience.

Senders must recognize what they are trying to say and their audiences' characteristics so they can encode the message appropriately.

Nonverbal stimuli, such as photographs or illustrations, are commonly used to add meaning or to reinforce message arguments.

Message strategies will include

3.1 Advertising Rhetoric and Persuasion: Researchers need to study both semantics and the syntax of the ad message. Semantics include the meanings of the words used and Syntax means the structure of the sentence used.

3.2 Message Presentation: Presentation of the message is a very important aspect of communication. In this case you need to take care of the following things:

a. Message framing

b. One-sided versus two-sided messages

c. Order effects

d. Repetition

3.3 Advertising Appeals

As we all know, the appeals that we use in advertising is very important. Some of the popular appeals that we use in advertising are:

a. Fear

b. Humor

c. Abrasive Advertising

d. Sex in Advertising

e. Audience participation

Advertising appeals are taught in the advertising course in details. So we can refer to that course book for further knowledge.

Activity 1

Tick on the correct choice

1. Which of the following sources is considered the most persuasive form of communication?
   a. formal sources
   b. not for profit organizations
   c. a parent
   d. word of mouth

2. Wholesalers, distributors and retailers are examples of _____ audiences.
   a. unintended
   b. target
   c. intermediary
   d. consumer

3. Shareholders, creditors, suppliers, bankers and employees are examples of _____ audiences.
   a. unintended
   b. target
   c. intermediary
   d. consumer

4. The medium or communication channel can be impersonal, like _____, or interpersonal, like _____.
   a. telephone conversations with a salesperson; mass media
   b. a face to face conversation with a salesperson; print media
   c. billboards; an online chat with a salesperson
   d. mass media; newspaper ad

5. Photographs, illustrations and symbols are examples of _____ messages.
   a. verbal
   b. nonverbal
   c. impersonal
   d. interpersonal

6. A smile, a frown, finger tapping and head nodding are all examples of _____.
   a. verbal feedback
   b. nonverbal messages
   c. nonverbal feedback
   d. interpersonal messages

7. One reason informal sources are considered credible is because:
   a. they usually know most about products.
   b. they speak out of personal experience.
   c. they have no direct gain from recommending a product.
   d. all of the above

8. _____ are considered expert informal sources of information.
   a. Salespeople
   b. Consumer reports
   c. Opinion leaders
   d. Spokespeople

9. Individuals who experience _____ often try to alleviate their uncertainty by convincing others to make a similar purchase to reassure themselves of their product choice.
   a. gratification
   b. satisfaction
   c. postpurchase dissonance
   d. positive reinforcement

10. A mention of the product _____ yields great confidence in the message.
    a. by a trained salesperson
    b. by a parent
    c. in the mass media
    d. in an editorial context

11. Opinion leaders disperse information about the product or service category they are experts in:
    a. while gaining nothing at all.
    b. knowing they will receive some material gain from the companies.
    c. to satisfy a psychological need.
    d. b and c

12. Firms with established reputations generally have an easier time selling their products than do firms with lesser reputations. The ability of a quality image to invoke credibility is one of the reasons for the growth of _____.
    a. large corporations
    b. non-profit organizations
    c. family brands
    d. product licensing

13. _____ is a form of advertising which is designed to promote a favorable company image rather than promote specific products.
    a. Publicity
    b. Institutional advertising
    c. Endorsement
    d. Umbrella branding

14. Which of the following is not a way in which companies enhance their image and credibility with target audiences?
    a. sponsorship of art exhibits
    b. supporting cancer research
    c. handing out free samples
    d. holding concerts at local parks

15. Which of the following statements is true about spokespeople?
    a. When message comprehension is low, the expertise of the spokesperson has little impact on the receiver's attitude.
    b. A physically attractive model always enhances message credibility.
    c. Consumers with strong ethnic identities are more likely to be persuaded by endorsers with similar ethnicity than individuals with weaker ethnic identities.
    d. the endorser's credibility substitutes for corporate credibility, therefore, companies are sure to hire highly credible spokespeople to overcome the lacking credibility of the company itself.

16. Which of the following is not one of the tactics that may be used by salespeople to enhance their credibility?
    a. looking customers in the eye
    b. dressing well
    c. dressing in the role of an expert in the category they are in
    d. driving an inexpensive modest vehicle

Involvement Theory

Involvement theory suggests that individuals are more likely to devote active cognitive effort to evaluating the pros and cons of a product in a high-involvement purchase situation, and more likely to focus on peripheral message cues in a low-involvement situation.

This led to the *Elaboration Likelihood Model (ELM)* that proposes that, for high-involvement products, marketers should follow the central route to persuasion; that is, they should present advertisements with strong, well-documented, issue-relevant arguments that encourage cognitive processing.

When involvement is low, marketers should follow the **peripheral route to persuasion** by emphasizing noncontent visual or symbolic features material that provide the consumer with pleasant, indirect associations with the product and provoke favorable inferences about its merits.

Message Structure and Presentation

Some of the decisions that marketers must make in designing the message include the use of *resonance, positive or negative message framing, one-sided or two-sided messages, comparative advertising,* and the *order of presentation.*

Advertising resonance is defined as wordplay, often used to create a double meaning, used in combination with a relevant picture.

Using insights provided by semiotics, researchers have found that by manipulating the resonance in an ad, they can improve consumer attitudes toward the ad and the brand, and unaided recall of advertising headlines.

Should a marketer stress the benefits to be gained by using a specific product *(positive message framing)*, or the benefits to be lost by not using the product *(negative message framing)?*

Research suggests that the appropriate message-framing decision depends on the target audience's level of involvement with the product category.

One-sided messages tell consumers only the good points (benefits).

This is most effectively used when the target audience has previously used the advertiser's products.

Two-sided messages tell consumers both good (benefits) and bad (disadvantages) points of the product.

These are most effectively used when the target audience uses a competitor's products.

Comparative advertising claims product superiority over one or more explicitly named or identified competitors.

Comparative advertising is useful in product positioning, target market selection, and brand positioning strategies that stress the differential advantage of the "underdog" product over leading brands.

A downside to comparative ads may be that they assist recall of the competitor's brand at the expense of the advertised brand.

Positively comparative ads were found to elicit higher levels of processing activity (high-involvement), had better recall than noncomparative ads, and were perceived as more relevant.

Order effects—communications researchers have found that the *order* in which a message is presented affects audience receptivity.

On television, the position of a commercial in a commercial pod can be critical.

The commercials shown first are recalled best, those in the middle the least. !

There is also evidence to suggest that television commercials that interrupt an exciting or suspenseful part of a program tend to have lower recall than those presented during a less gripping moment.

When just two competing messages are presented, one after the other, the evidence as to which position is more effective is somewhat conflicting.

Magazine publishers recognize the impact of order effects by charging more for ads on the front, back, and inside covers of magazines than for the inside magazine pages, because of their greater visibility and recall.

Order is also important in listing product benefits within an ad.

If audience interest is low, the most important point should be made first to attract attention.

If interest is high, however, it is not necessary to pique curiosity, and so product benefits can be arranged in ascending order, with the most important point mentioned last.

When both favorable information and unfavorable information are to be presented (e.g., in an annual stockholders' report), placing the favorable material first often produces greater tolerance for the unfavorable news.

It also produces greater acceptance and better understanding of the total message.

Repetition—is an important factor in learning.

It is not surprising that repetition, or frequency of the ad, affects persuasion, ad recall, brand name recall, and brand preferences.

It also increases the likelihood that the brand will be included in the consumer's *consideration set*.

One study found that multiple message exposures gave consumers more opportunity to internalize product attributes, to develop more or stronger cue associations, more positive attitudes, and increased willingness to resist competitive counterpersuasion efforts.

Advertising Appeals

Factual and emotional appeal effectiveness varies with the circumstance and the audience.

Reason-why appeals are more effective in persuading educated audiences.

Emotional appeals are more effective in persuading less educated audiences.

Fear Appeals—some researchers have found a negative relationship between the intensity of fear appeals and their ability to persuade.

The mention of possible harmful effects of a product category or usage situation causes negative attitudes toward the product.

Some researchers have found a positive relationship between fear and persuasiveness.

When the audience focuses on controlling the danger rather than the fear, there is an acceptance of the message.

There is some indication that the mention of possible harmful effects of using a product category although proclaiming the benefits of the advertised product results in negative attitudes toward the product itself.

Humor—a significant portion of ads use humor because marketers believe it increases ad effectiveness.

Humor should be used selectively because there are so many qualifying conditions to its effectiveness.

Audience characteristics have a significant impact.

Abrasive advertising—they work because of the sleeper effect as only the brand name and the persuasive message are retained over time.

All of us have at one time or another been repelled by so-called agony commercials, which depict in diagrammatic detail the internal and intestinal effects of heartburn, indigestion, clogged sinus cavities, hammer-induced headaches, and the like.

Nevertheless, pharmaceutical companies often run such commercials with great success because they appeal to a certain segment of the population that suffers from ailments that are

not visible, and which therefore elicit little sympathy from family and friends.

Sex in advertising—there is more daring sexual imagery, extending far beyond the traditional product categories of fashion and fragrance, into such categories as shampoo, beer, cars, and resorts.

The advertiser must be sure that the product, the ad, the target audience, and the use of sexual themes and elements all work together.

Audience participation—the provision of feedback changes the communications process from one-way to two-way communication.

This is important to senders, because it enables them to determine whether and how well communication has taken place.

It also is important to receivers, because it enables them to participate, to be involved, to experience in some way the message itself.

Although participation is easily accomplished in interpersonal situations and drives the interactivity of cyber communications, it takes a great deal of ingenuity to achieve in impersonal communications.

To design persuasive communications, the sponsors must first establish the objectives of the communication, and then select the appropriate audiences for the message and the appropriate media through which to reach them, and then design or encode the message in a manner that is appropriate to each medium and to each audience.

Are there any tools or techniques that we can use to make our communication more effective?

To communicate more effectively, we need to use some tools like:

- Advertising
- Personal Selling
- Sales Promotion
- Publicity and Public Relation

Activity 2

1. What is comparative advertising, and what results do marketers gain from using it?

2. . **Should marketers use more body copy than artwork in print ads? Explain your answer.**

Key Terms

- Consumer profile
- Audience profile
- Central route to persuasion
- Peripheral route to persuasion
- Advertising resonance
- Positive message framing
- Negative message framing
- One-sided
- Two-sided messages
- Comparative advertising
- Order
- Repetition
- Reach
- Audience composition
- Impact
- Exposure Value
- Precision Targeting
- Message Presentation
- Advertising appeals

Articles on Communication

Playing on Emotions

> *As more and more categories have product parity across competition, it is difficult to actually find a meaningful functional differentiator based on consumer needs. This is forcing marketers to adopt the route of differentiating through emotional benefits or creating a very strong brand personality.*

A number of companies such as Prudential ICICI Life Insurance, Bajaj and Servo have tried to use the emotional route in their advertisements. How effective do you think will such a strategy be to help sell a product? Will this strategy work for a product such as Servo, which markets lubes? Do ads on an emotional plank make a great impact? Do people buy seeing these ads?

- Ajit Shashikant, Chennai

TO explain how consumers respond to a specific type of advertising, it is pertinent to first understand how consumers choose brands. Brand positioning is the target consumers'

reasons to choose a brand in preference to others. This implies that the brand positioning statement should actually be written in the consumer's language, on how the consumer would describe his or her reasons for choosing a particular brand over others. To get a more systematic approach to the art and science of brand positioning, the reasons are specifically distinguished as functional, emotional and rational. While functional and emotional reasons would be clear to most readers, the rational reasons are often referred to as substantiators and provide support for the delivery of both the functional as well as emotional benefits of a brand.

I am afraid that I cannot comment on any of the specific advertisements mentioned in your question, as I have not been privy to their strategy and the market and consumer insights specific to the category and the brands in question. However, I must explain to you how it has been observed as a phenomenon in extremely mature markets, that as more and more categories have product parity across competition, it is very difficult to split hairs and actually find a meaningful functional differentiator based on consumer needs. Indeed, this is forcing marketers to adopt the route of differentiating through emotional benefits or create a very strong brand personality.

Virgin has done this with élan and this also allows the brand to extend itself across categories and continents. Strong brand personality created through communication for say brands such as Virgin or Benetton have definitely worked to their advantage. It has allowed them to be positioned in a territory which cannot be easily challenged by any competitor and definitely generate a very loyal base of consumers who identify with the brand. Indeed, functional differentiators need to be meaningful and should be communicated effectively to attract its target consumers.

Often marketers or the advertising community is unable to distinguish between the brand personality and the emotional reasons for preferring a brand. For instance, the two strong cola brands have strong brand personalities, whereas Thums Up is actually attempting to communicate a functional differentiator with its rival, on a specific dimension (sweetness) of the taste attribute.

What makes consumers buy a brand is a combination of all interactions of the consumer with the brand at various points of contact and its value positioning. It is imperative that the product performance is in line with the brand promise or it will not manage to attract consumers on a sustained basis.

In fact, a lot has been invested in researching the effectiveness of advertising communication. John Philip Jones, who was recently in India, has written some of the best books and articles in this field where he substantiates his points on making advertising accountable for sales with researched evidence. Millward Brown, a research agency which has the best tools for pre-testing any advertising communication has also invested in developing strong tools which can help marketers and their agency partners in developing communication which is on strategy and which is persuasive enough to generate a sales response.

It is critical to evaluate your advertising communication to see if it is communicating the intended strategy. It should evaluate if

the consumer can clearly understand the proposition - whether the proposition is based on functional or emotional benefits, how credible are these claims, is it memorable in real life, is the branding clear and of course, how will it impact sales. Without doubt advertisements which use strong branding elements, communicate the strategy and also leverage a consistent claim at all points of contact, have the potential to generate continued sales.

When Media Brands Advertise

Media companies are realising the virtues of brand building like never before. Catalyst examines the trend.

Mrinalini Gupta was a worried lady. As the Vice-President, Marketing, of Hindustan Times (HT), the Capital's largest selling newspaper, she faced a peculiar situation. The 70-year-old market leader was not particularly deterred when a competitor threatened its position. The issue here was that a chunk of its young readers perceived HT to be an 'old fashioned' paper. "As it happens with a lot of heritage brands, somewhere consumers start to feel that it is an old fashioned brand. This is the problem HT faced too," she says. So, HT decided to go in for an image makeover. In came the ad agency. The brief given to them was simple: Position HT as a contemporary, dynamic, youthful and "smart" brand. In September 2001, the newspaper splashed the Live Smart campaign across different media. "The campaign helped us to build the brand image in the right direction," she says. NRS 2002 figures are awaited to see the results.

ADVERTISING by media companies (newspaper, magazine or a TV channel) is an age-old phenomenon. Earlier, every player operated in a specific market and hardly had any competition to worry about. Back then, advertising by a media brand was merely communicating the product's attributes, in its own medium. However, increase in competition has now forced media brands to look beyond product parameters (such as content and design) and offer consumers those intangibles that contribute to brand building. This meant media owners had to keep track of whether the brand's personality was in sync with the profile of the consumer. For instance, HT created a sync with its smart positioning. Mrinalini says, "Every one wants be associated with being smart. As a paper we are providing smart new ideas, thoughts and insights. Hence, the tagline Live Smart."

They also needed to communicate to a larger audience and advertising across media, therefore became necessary. For instance: *Indian Express* has a TV spot to communicate its "Making it a point" message, BBC promotes its programmes on radio and in newspapers. Society, a lifestyle magazine, advertises on TV.

Targeting the consumer and the advertiser

The communication objective of a media company is to build its brand among non-users (non-readers/non-viewers) and consolidate its position among users. There are specific situations when a media company chooses to advertise:

- To announce the launch of a new product
- To bolster circulation (or viewership) or prop up ad revenues
- To counter competition
- To expand into new markets/new income segments

Take a look at the first situation

When Ajay Vidyasagar took over the reins of the Star Vijay TV, he was aware of the enormous brand loyalty that the market leader, Sun TV, enjoyed. He also knew that Star Vijay had to scream out loud for the viewer to even recognise that a new channel had arrived, rather, that an existing channel had revamped itself. As a part of its strategy, Star Vijay painted the city's skyline with hoardings announcing the launch of its prime time programmes. This set off a trend. When Sun Network responded with the launch of another channel, KTV, it also used hoardings across the city. "Today any new programme is backed by advertising and promotion," says an official of a leading advertising agency.

Ads targeted at consumers (readers/viewers) may also talk to prospective advertisers. "There is a spin-off effect. A viewer may like a programme on your channel and may decide to place his product's ad," says Vidyasagar.

Media companies also resort to specific ads targeted at advertisers and media planners. The communication objective is clear: To help in selling more space/time. For instance, *Malayala Manorama*, the leading Malayalam daily, runs an ad with the tag line 'Kerala's No.1 channel.' It substantiates this with a comparison of readership figures. The Hyderabad-based *Deccan Chronicle* runs a similar campaign with the provocative tag line 'Catch me if you can'. Says A. Vijay Kumar, General Manager (Advertising), *Deccan Chronicle*. "A classic example is the *Deccan Herald* versus *The Times of India* (TOI) battle, DH had higher readership but lower circulation. TOI had lower readership but higher circulation." Therefore, he says, this type of communication becomes necessary to counter competition. However, such ads may not be of any relevance to a reader, points out R.Krishna Mohan, Vice-President , Ogilvy & Mather. "Ads talking to advertisers seldom make any sense to the reader," he says.

Media companies also use direct mailers extensively for this purpose. "Direct marketing is used specifically to target media planners. This is done in bursts to coincide with the beginning of the financial year or the launch of a new feature," says Jayraj Rau, Vice-President and Client services director, HTA. Television channels also use direct mailers to communicate to the distributor. "We use direct mailers to talk to our cable operators," says Star Vijay's Vidyasagar.

The need to talk to advertisers is compounded by the fact that while readership figures (or TV ratings) may quantify the reach of a media vehicle, it lacks qualitative assessment. "There is no tool to assess the qualitative aspect of reach or brand fit," says an agency official.

Sometimes, media houses also barter time/space between each other to promote their respective content. An agency official explains that such deals happen only if there is a synergy between the companies. "However, co-branded promos happen quite a bit," he adds.

Contest and sponsoring events have also become a part of a media company's brand building exercise. Regional language

dailies, in particular, are using this as a specific strategy to increase circulation. For instance, *Amar Ujala*, a leading Hindi daily, asked its readers to answer a simple question and gave away exciting prizes: a car, a motorbike and so on.

The writing on the wall is clear: When times are tough and competition is knocking on your door, media companies cannot ignore to invest in branding initiatives. As an advertising manager of a leading English daily puts it, "A medium which helps in building several brands cannot afford to be poorly branded itself."

BBC's Gameplan

YOU cannot promote news," says Jane Gorard, Director of Marketing, BBC World, while explaining that viewership for news is dependent on happenings and events in the world. Therefore, the channel is focusing on localised content that would interest the viewer. It recently launched *Commando!*, a reality programme for its Indian audience.

Gorard says that the channel used a number of media to promote the programme. "We did radio spots on FM targeting the listener who is driving to work in the mornings," she says. BBC World also uses print media to promote its India-specific programmes such as *Question Time India* and *Mastermind India.*

Gorard explains that BBC defines its target audience as IBDM - International Business Decision Maker - who may also be the channel's potential advertiser. "The idea is to reach out to this segment and therefore all our communication is directed towards them," she says.

Points To Remember

Issues in Designing Persuasive Communications

- Communications strategy
- Media strategy
- Message strategy

Communications Strategy

Perceptions — Experience — Memory
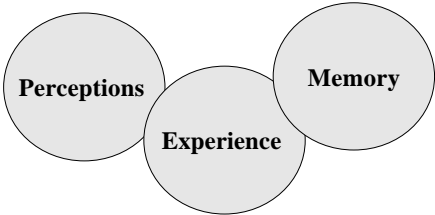
Figure 9.4 Perception/ Experience/ Memory Model of Advertising

Pre-experience Exposure — Post-experience Exposure

Framing Perception — Enhancing Experience — Organizing Memory

Expectation Anticipation Interpretation — Sensory Enhancement Social Enhancement — Cueing Branding Interpretation
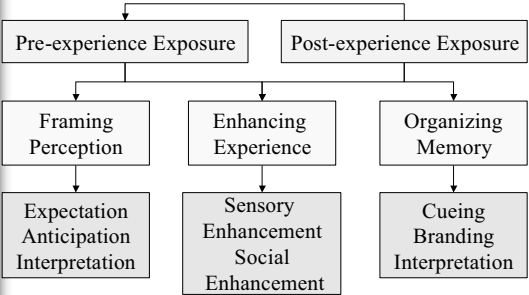
Media Strategy

- Consumer profiles
- Audience profiles

*A cost-effective media choice is one
that closely matches the
advertiser's consumer profile
with the medium's audience profile.*

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Magazines)

- Highly selective
- Selective binding possible
- High quality production
- High credibility
- Long message life
- High pass along rate
- Long lead time
- High clutter
- Delayed and indirect feedback
- Rates vary based on circulation and selectivity

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Newspaper)

- Access to large audiences
- Effective for local reach
- Flexible
- Fast
- Feedback possible through coupon redemption, etc.
- Not selective
- Short message life
- Clutter
- Cost varies based on ad size and vehicle circulation

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Television)

- Large audiences possible
- Appeals to many senses
- Emotion and attention possible
- Demonstration possible
- Very high costs overall
- Low costs per contact
- Long lead time
- High clutter
- Short message life
- Viewers can avoid exposure with zapping, etc.
- Day-after recall tests for feedback

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Radio)

- High geographic and demographic selectivity
- Short lead time
- Relatively inexpensive
- Good local coverage

- Short exposure time
- Audio only
- High clutter
- Zapping possible
- Delayed feedback through day-after recall tests

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Direct Mail)

- High audience selectivity
- Personalization possible
- Novel, interesting stimuli possible
- Low clutter

- Perception of junk mail
- Feedback possible through response
- High cost per contact

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Internet)

- Potential for audience selectivity
- Customized tracking possible and other feedback tools possible
- Useful for branding and reinforcement of messages

- Demographic skew to audience
- Very high clutter
- Zapping possible
- Great variation in pricing
- Privacy concerns

Excerpts from Table 9.2 Persuasive Capabilities and Limitations of Major Media (Direct Marketing)

- Development of databases
- High audience selectivity
- Relatively free of clutter

- Privacy concerns
- Measurable responses
- Cost per inquiry, cost per sale, revenue per ad can be calculated

Table 9.3 Buyer Personalities and Advertising Strategies

Righteous

Social

Pragmatic
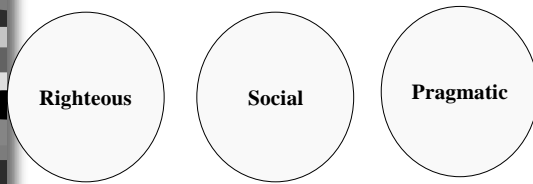
*How might advertising be designed
for these three distinct buyer types?*

Issues in Message Presentation

- Resonance
- Message Framing
- One-sided Versus Two-sided Messages
- Comparative Advertising
- Order Effects
- Repetition

Involvement Theory and Persuasion

**The Elaboration Likelihood Model (ELM)
proposes that marketers use the**

- **central route to persuasion for high
involvement products and the**

- **peripheral route to persuasion for low
involvement products**

Emotional Advertising Appeals

Fear
Humor
Abrasive advertising
Sex in advertising
Audience participation

Table 9.4 Impact of Humor on Advertising

- Humor attracts attention.
- Humor does not harm comprehension.
- Humor is not more effective at increasing persuasion.
- Humor does not enhance source credibility.
- Humor enhances liking.
- Humor that is relevant to the product is superior to humor that is unrelated to the product.
- Audience demographic factors affect the response to humorous advertising appeals.
- The nature of the product affects the appropriateness of a humorous treatment.
- Humor is more effective with existing products than with new products.
- Humor is more appropriate for low-involvement products and feeling-oriented products than for high-involvement products.

Notes

Analyze the following case and discuss the questions give at the end.

Case Study
Relaunching A Web Site
The Project

Mike French was born in Guildford, Surrey, into a cricket-loving family. He played cricket intensively at school, and was selected for special attention by Surrey Colts. But his other passion was for computers and he went on to Cambridge where he obtained BSc Engineering in the Computer Science field. After that, Mike French joined the IT department of the London branch of a leading Japanese bank. Several years later they moved him to their Toronto branch. Mike missed cricket, and in particular the cricket results. Out of interest, he opened his own Web site on the Internet, to spread the test match scores amongst his friends. This amateur venture developed rapidly, as his hobby grew, and he soon added worldwide results not just for test matches, but also from local games. In 1996 he had built up a network of fellow Internet enthusiasts who would send him cricket results daily - and almost hourly, into Toronto. In 1997 he was moved back to London but continued his cricket activity, to the point where he resigned in 1998 to go full time as a Web site cricket specialist, with a professional business. His site domain name was: battingscoresheet.com The site, he observed, had been running 50,000 hits a day in Toronto, but now was running 200,000 hits a day back in London. A big success. Late in 1995, Mike French formed an association with an international cable company, Cable size, which ensured a broader supply of cricket data. Now not just match scores, but much other cricket information. Two country clubs also volunteered sponsorship funds. He began to take advertising revenue, and at the turn of the year started a merchandise venture, offering direct sales of a range of cricket -related gear. This included books and memorabilia. The company worked from offices in Dorking, with a small but growing technical staff. Mike French concentrated on the Web site, while his wife Bernie (they were married in Toronto) looked after the advertising and merchandise sales. It seemed that there was an enormous latent interest all over the Web.

From audiences in Britain _ From British ex-pats, particularly in Europe _ From cricket lovers in the cricket playing countries _ From people elsewhere, especially Western Europe and the SA, who were becoming interested. In 1999, the site was achieving 280,000 hits a day. By mid-2000 there were 350,000 hits a day. The service was now providing scores, analyses, profiles, historical scores as well as the growing range of merchandise and the advertising sites (pages, banners and buttons), sponsorship, etc. Their income grew correspondingly:

1998 £340,000

1999 £880,000

2000 £1,900,000 forecast

The Development

However, in mid-summer 2000, Mike and Bernie French were suddenly approached by a venture capitalist group called Horizons Unlimited, operated by Phil Deevers and Bruno Mackensen - a pair of highly successful financiers who had just made a large profit selling out a coffee house chain to Whitbreads. Horizons were intent on expanding into the booming Internet business, which seemed to have enormous growth potential, at that point. The battingscoresheet.com site seemed to them a specialist, niche site but with great possibilities. It fitted perfectly into their plans. After discussion they offered Mike French a huge financial package and acquired 51% of the company. The goal was faster expansion.

The Plan

Horizons Unlimited specified a re launch of the site in January 2001. Their target income target was

2001 income: £4m

2002 income: £7.5m

Daily hits should grow to 600,000 to achieve this.

There were two key requirements:

a)   Growth in advertising, sponsorship and merchandise sales

b)   a corresponding growth in usage of the site.

Horizons noted that currently only 25% of users came from Britain. For commercial reasons they

Needed at least 50% - to assure advertisers and sponsors, sell merchandise etc. That is to build

300,000 hits per day from Britain. This was the priority.

The Promotion

Deevers and Mackensen suggested they draft in a promotional specialist to help achieve the usage of the site and recruited Chris Jenkins, a Commercial Manager from another Internet company. Bernie French would continue to sell advertising and run the merchandise side. In order to achieve the target of consumer visits, Horizons said that for the New Year they were prepared to invest in a strong promotion and communications budget - that is, a re launch level of 20%

Of the 2001 income i.e. £800,000.

The technical development of the site would come from elsewhere. The £800,000 would cover promotion outside the site itself. Jenkins had a lengthy talk with Bernie French the moment he joined and they reached a number of conclusions:

- Hits come pretty evenly across the UK

- Although there was some seasonal fluctuation, the usage of the site was comparatively steady across the year because of cricket activities worldwide

- The users of the site were by definition people with access to the Web, and seemed to have a 4:1 male: female bias, but spread across age groups. It was not a site just for the young

- Users were avid cricket fans

- There were several other sports sites on the Web which covered cricket. So there was something of a competitive position

How best could the site be communicated? That was the problem and, Jenkins also asked, did they need any professional assistance? With a big campaign like this, they could do with some help.

Notes

LESSON 22:
GROUP DYNAMICS AND CONSUMER
REFERENCE GROUPS

Introduction
Humans are inherently social animals, and individuals greatly influence each other.Group dynamics exist in every formal and informal type of organisations. We need to study group dynamics to help us know and understand the impact of various types of groups on the individual's buying behaviour. In this lesson we will understand the concept of Group dynamics and also the different types of groups that exist.

Objectives
After studying this lesson you should be able to:

- Define a group.
- Understand the power of reference groups on consumer behavior.
- Identify six consumer-relevant groups.
- List and explain the factors that determine reference group influence.
- Describe the five types of reference groups.
- Explain the major forms of reference group appeals.

1. What is Group Dynamics?
Let us first clarify what exactly is group dynamics.

Group dynamics is related to determining the interactions and forces between group members in a social situation.

What then is a group?

A group will comprise of

(a) Two or more people who are interdependent on each other, with group members and

(b) The group shares a set of beliefs, values and norms, which regulates their mutual conduct.

Thus we can define a group in the following manner:

Group
A group may be defined as the aggregation of small number of persons who work for common goals, develop a shared attitude and are aware that they are part of a group and perceive themselves as such. WE can also say that the identifiable features of a group are:

1. *Two or more persons:* At least two people have to be present to form a group.
2. *Collective identity:* Each member of the group must believe that he is a member of the group and also be aware of his participation in the group activity.
3. *Interaction:* The members of the group will interact with each other, share their ideas and communicate with each other.
4. *Shared goal interest:* Members of the group will also concur to the attainment of objectives. Each member of the group must at least share one of the group concerns.

Let us now see why a group is formed at all!

Reasons for formation of Group
It has been seen that the reasons why a group gets formed are:

1. Interpersonal Interactions:
2. The group acts as a vehicle of socialization
3. Group serves as a means of need satisfaction
4. A change from usual work environment
5. Helps in group decision making and getting the job done

Advantages of Groups
What do we gain if we form groups? There are a lot of advantages. Some of them are:

1. Greater sum total of knowledge and information
2. Greater number of approaches to the problem
3. Participation increases acceptance
4. Better comprehension of the problems and the solution
5. Group acts as a motivator

Disadvantages of Groups
But, there are disadvantages in a group also! Some disadvantages are:

1. Solution mindedness
2. Compromised results
3. Untimely decisions
4. Conflicts
5. Diffusion of responsibility
6. Free riding or social loafing
7. High coordination cost in time and money
8. Dominance
9. Pressures to conformity

Types of groups
Let us now identify the various types of groups that exist and operate in our daily life.

- **Primary versus secondary**
  - Depends on amount of interaction
- **Membership versus symbolic**
  - Depends on whether group members recognise individual as member
- Formal versus informal
  - Depends on degree of formality of conduct
- **Ascribed versus choice**
  - Depends on whether membership is automatic or by choice

Activity 1

Prepare a list of formal and informal groups to which you belong and give five examples of purchases fro which each served as a reference group. IN which of the groups you listed is the pressure to conform the greatest? Why?

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But in that case, are reference groups and institutions same?

No!

So, what are institutions?

Let us look at the differentiating points between the two

Institutions and groups

Groups are two or more persons sharing a common purpose

Whereas

Institutions are more permanent groups with pervasive and universal presence

And then what are reference groups?

Reference groups

A useful framework of analysis of group influence on the individual is the so called *reference group*—the term comes about because an individual uses a relevant group as a standard of reference against which oneself is compared. Reference groups come in several different forms. The *aspirational reference group* refers to those others against whom one would like to compare oneself. For example, many firms use athletes as spokespeople, and these represent what many people would ideally like to be. *Associative* reference groups include people who more realistically represent the individuals' current equals or near-equals—e.g., coworkers, neighbors, or members of churches, clubs, and organizations. Finally, the *dissociative* reference group includes people that the individual would *not* like to be like. For example, the store literally named The Gap came about because many younger people wanted to actively dissociate from parents and other older and "uncool" people. The Quality Paperback Book specifically suggests in its advertising that its members are "a breed apart" from conventional readers of popular books.

Reference groups come with various degrees of influence. *Primary* reference groups come with a great deal of influence—e.g., members of a fraternity/sorority. *Secondary* reference groups tend to have somewhat less influence—e.g., members of a boating club that one encounters only during week-ends are likely to have their influence limited to consumption during that time period.

Another typology divides reference groups into the *informational* kind (influence is based almost entirely on members' knowledge), *normative* (members influence what is perceived to be "right," "proper," "responsible," or "cool"), or *identification.* The difference between the latter two categories involves the individual's motivation for compliance. In case of the normative reference group, the individual tends to comply largely for utilitarian reasons—dressing according to company standards is likely to help your career, but there is no real motivation to dress that way outside the job. In contrast, people comply with identification groups' standards for the sake of belonging—for example, a member of a religious group may wear a symbol even outside the house of worship because the religion is a part of the person's identity

- Persons, groups or institutions looked to for guidance for behaviour and values and whose opinions are valued

  What are the conditions for reference group influence?

Let us understand this with the help of the illustration given below in figure 9.1. We are looking at it with the help of two parameters, viz, Public /Private and Necessity/Luxury.

Conditions for reference group influence

		Public	
	Product / Brand	**Weak reference Group influence (-)**	**Strong reference Group influence (+)**
Necessity	Strong influence Group influence (+)	Public necessities	Public luxuries
	Weak reference Group influence (-)	Private necessities	Private luxuries
	Private		

Luxury

Fig 9.1 Conditions for reference group influence

Source: William O. Bearden and Michael J. Etzel, 'Reference group influence on product and brand purchase decisions', *Journal of Consumer Research* 9, 1982, 99. 183-9

Private-public, luxury-necessity, product-brand influences

Types of reference group influence

What are the different types of reference group influences that exist? Basically there are three types of reference group influences, viz., Informational, Normative, and Identificational.

- **Informational**
  - Here cconsumers seek and accept advice from an individual because of their expertise.
- Normative
  - In this kind of reference influence, cconsumers allow their desire to conform with the expectations of others to influence their decisions.
- Identificational
  - In this case, cconsumers purchase products to be like someone else, that is, identify with some other person., e.g. a celebrity.

Now, based on the types of influences, let us take a look at the reference group influence for household customers.

Reference group influence for household customers

Type of influence	Basis	Exemplars	Products
Informational	Expertise	Professional advisers Product enthusiasts Experienced consumers	Medication Computers Travel destinations
Normative	Material rewards Sanctions	Work groups Family	Work clothes Alcohol
Identificational	Self-concept	Cultural heroes (e.g., sports athletic celebrity)	Shoe brand

Fig 9.2 Reference group influence for household customers

Source: Adapted from Robert E. Burnkrant and Alain Cousinea, 'Informational and normative social influence in buyer behaviour', *Journal of Consumer research* 2, December 1975, pp. 206-15.

Let us now take a cursory glance at reference group influence for business customers.

Reference group influence for business customers

Type of influence	Basis	Exemplars	Products
Informational	Expertise	Legal and technical consultants Political advisers	Business contracts Equipment purchasing Campaign resource allocations
Normative	Material rewards and sanctions	Government	Doing business with minorities
Identificational	Self-concept enactment	Most admired companies, or best in class	Emulating 'best business practices' Adopting recommended sourcing practices

Fig 9.3 Reference group influence for business customers

Source: Adapted from Robert E. Burnkrant and Alain Cousinea, 'Informational and normative social influence in buyer behaviour', *Journal of Consumer research* 2, December 1975, pp. 206-15.

Activity 2

As a marketing Consultant, you have been asked to evaluate a new promotional campaign for a large retail chain. The campaign strategy is aimed at increasing group shopping. What recommendations would you make?

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Key Terms

- Groups
- Group dynamics
- Collective identity
- Shared goal interest
- Reference groups
- Normative groups
- Associative groups
- Identification groups

Points To Remember

A group may be defined as the aggregation of small number of persons who work for common goals, develop a shared attitude and are aware that they are part of a group and perceive themselves as such.

Features of a group

- *Two or more persons*
- *Collective identity*
- *Interaction*
- *Shared goal interest:*

Reasons for formation of Group

1. Interpersonal Interactions:
2. The group acts as a vehicle of socialization
3. Group serves as a means of need satisfaction
4. A change from usual work environment
5. Helps in group decision making and getting the job done

Advantages of Groups

1. Greater sum total of knowledge and information
2. Greater number of approaches to the problem
3. Participation increases acceptance
4. Better comprehension of the problems and the solution
5. Group acts as a motivator

Disadvantages of groups

1. Solution mindedness
2. Compromised results
3. Untimely decisions
4. Conflicts
5. Diffusion of responsibility
6. Free riding or social loafing
7. High coordination cost in time and money
8. Dominance
9. Pressures to conformity

LESSON 23:
ROLE OF FAMILY

Introduction

The family is a major influence on the consumer behaviour of its members. There are many examples of how the family influences the consumption behaviour of its members. A child learns how to enjoy candy by observing an older brother *or* sister; learns the use and value *of* money by listening to and watching his *or* her parents. Decisions about a new car, a vacation trip, or whether to go to a local or an out-of-town college are consumption decisions usually made within the context of a family setting. The family commonly provides the opportunity for product exposure and trial, and imparts consumption values to its members. As a major consumption unit, the family is also a prime target *for* the marketing of many products and services.

Learning Objectives

After studying this lesson you should be able to:

- Define and explain the concept of a traditional and non-traditional family

- Explain the role family plays in buying

1. The Family

If you are in charge of marketing breakfast cereal in the United States, India, Japan, or Brazil, to whom should you gear your marketing program and advertising campaign? After determining whether the cereal, muesli (in Europe), or mealies (in Africa) would be eaten hot or cold, you would ask who determines which brand of cereal will be purchased? Is it mothers, fathers, teens, children, or some combination of these? Kix cereal in the United States appeals to both children (tastes good) and mothers (is nutritious) with its tagline "Kid tested, mother approved."

The importance of the family or household unit in consumer behavior arises for two reasons:

1. Many products are purchased by a family unit.

2. Individuals' buying decisions may be heavily influenced by other family members.

How families or households make purchase decisions depends on the roles of the various family members in the *purchase, consumption,* and *influence* of products. Household products like food and shampoo may be purchased by on person but consumed by many, whereas personal care items, such as cosmetics or shaving cream, might be purchase by an individual family member for his or her own consumption. Homes and cars, on the other hand, are often purchased by both spouses, perhaps with involvement from children or other member of the extended family. As Davis[1] explains, "A husband may buy a station wagon, given the reality of having to transport four children, despite his strong preference for sports cars," and a father may choose to ask him daughter and son about color and style before he and his wife purchase a car. Visits to shopping malls often involve multiple family members buying clothing and accessories, something with a heavy dose of influence by family members-children may buy clothing paid for and approved of by parents, whereas teenagers may influence the clothing purchase of a parent.

Regardless of how many family members are present when items are being purchased, the other family members play an important role in the purchase. Just because Ling, wife and mother of two young children, is responsible for buying food for the family and act as an individual in the market does not mean that her decisions are not influenced by the preferences and power of other family members. Even when people live single, they may prefer the same (or perhaps the opposite) style of furniture or brand of peanut butter as the family in which they were raised. Although marketing communications are usually directed to individuals, marketers should consider the consumption circumstances and the family structure before deciding on specific communication or advertising methods to attract their segment.[2]

Let us now try to define a family.

What is a Family?

A **family** is a group of two or more persons related by blood, marriage, or adoption who reside together. The **nuclear family** is the *immediate group of father, mother, and child(ren) living together.* The **extended family** is the *nuclear family, plus other relatives, such as grandparents, uncles and aunts, cousins, and parents-in-law.* The family into which one is born is called the **family of orientation,** whereas the *one established* by *marriage* is the **family of procreation.** As mentioned in the opening scenario, some consumers are stretching the definition of family to include family pets, as recognized in the tagline of the PETsMART logo and brand, shown in Figure 12.1

What is a Household?

The term **household** is used to describe all person, both related and unrelated, who occupy a housing unit. There are significant differences between the terms household and family even though they are sometimes used interchangeably. It is important to distinguish between these terms when examining data.

The term household is becoming a more important unit of analysis for marketers because of the rapid growth in nontraditional families and nonfamily households. Among nonfamily households, the great majority consist of people living alone. The remaining nonfamily households include those consisting of elderly people living with nonfamily members, "Persons of Opposite Sex Sharing Living Quarters" (POSSLQs), friends living together, and same sex couples. Any of these households may or may not include children. Families are the largest category of households may or may not include children. Families are the largest category of households, but nonfamily

households are growing faster. One way to avoid the problem of whether to study families or households is to simply use the term consumer unit (CU) or minimal household unit (MHU). It is easier and sometimes just as useful to avoid the distinctions between each group and refer to CU or MHU buying behavior.[3]

Structural Variables Affecting

Families and Households

Family or household variables affect consumer purchasing, **Structural variables** include the age of the head of household or family, marital status, presence of children, and employment status. For example, consumer analysts have enormous interest in whether families have children and how many they have. Children increase family demand for clothing, food, furniture, homes, medical care, and education, while they decrease demand for many discretionary items, including travel, higher-priced restaurants, and adult clothing.

Other structural changes affect the types of products that are manufactured. For example, in Japan, high-tech companies have formed a consortium to standardize technology that has been developed to monitor and manage households. Consumer in Focus 12.1 focuses on how households in Japan may be run in the future.

Activity 1

As a marketing consultant, you were retained by Walt Disney Company to design a study investigating how families make vacation decisions. Whom within the family, would you interview? What kind of questions would you ask? How would you assess the relative "power" of each family member in making vacations-related decisions?

Sociological Variables Affecting Families and Households

Marketers can understand family and household decisions better by examining the sociological dimensions of how families make consumer decisions. Three sociological **variables** that help explain how family's function include cohesion, adaptability, and communication.

Pause for Thought!!

Japanese "Smart" Homes

Have you ever woken up in the morning to wonder, "What's my blood sugar level today?" or gone to the store only to wonder whether you need milk or not. In Japan, homeowners will soon be able to run their homes, monitor their families, and measure the needs of the household with the touch of a button.

By the year 2003, the Matsushita Electrical Industry Group hopes to market HII-Home Information Infrastructure-to families and households throughout Japan. HII is a system that connects homes through fiber-optic cables to the vast world outside, including the Internet, cable TV, hospitals, and travel agents. The system revolves around an HII station-the central nervous system that serves as a depository for reams of information. Through screens in every room, occupants can monitor appliances throughout the house, check security cameras, and contract cyberspace. The bedroom, for example, contains a medical consultation kit through which consumers can type in their ailments and call the doctor, who then makes a diagnosis based on the information submitted and electronic access to medical history from the household system.

At the heart of the system is a wireless terminal that permits remote access to the house. Consumers, therefore, can monitor household needs, such as what is in the refrigerator or in the pantry. These homes also feature smart toilets, which weigh individuals, monitor body fact, and measure sugar in the urine. And special high-tech perks inside the house cause lights to turn on when someone enters a room and allow family members to monitor each other's movements, activities, blood pressure, weight, and schedules inside the home.

For U.S. consumers, the nearest equivalent may be a home management system designed by IBM that allows people to operate all electronic devices using a universal remote control

Source : "Japanese 'Smart' Homes Know All, "The Columbus Dispatch (April 28, 1999). 2F.

- **Cohesion** is the emotional bonding between family members. It measures how close to each other family members feel on an emotional level. Cohesion reflects a sense of connectedness to or separateness from other family members.

- **Adaptability** measures the ability of a family to change its power structure, role relationships, and relationship rules in response to situational and developmental stress. The degree of adaptability shows how well a family can meet the challenges presented by changing situations.

- **Communication** is a facilitating dimension, critical to movement on the other two dimensions. Positive

communication skills (such as empathy, reflective listening, supportive comments) enable family members to share their changing needs as they relate to cohesion and adaptability. Negative communication skills (such as double messages, double binds, criticism) minimize the ability to share feelings, thereby restricting movement in the dimensions of cohesion and adaptability. Understanding whether family members are satisfied with family purchase requires communication within the family.[4]

Family Celebrations and Gift Giving

Marketers have used sociological research on "resilient" families-those that are better able to negotiate their way through transitions and tragedies-because they affect consumer demand for many products. Families that place more importance on family celebrations, family time and routines, and family traditions are more likely to develop resilient families.[5] Though family celebrations help families survive crises, they also fuel retail sales. Hanukkah and Christmas generate about 50 percent or more of annual retail sales (and an even higher percentage of profits) for many retailers, making gift giving and family holidays an important area of study.[6] In recent years, Halloween has become the second most popular holiday in the United States in terms of retail sales of gifts and home decorations-two consumer behavior activities that convey a family's holiday spirit.[7] Other holidays that are being celebrated more frequently outside their countries of origin include Cinco de Mayo (Mexico), Kwanzaa (Africa), and Chinese New Year.

Some consumer analysts have been warning retailers about the dangers of relying too heavily on year-end holiday sales to meet their sales and profit forecasts. Traditionally, some retailers rely on Christmas, Kwanzaa, and Hanukkah to provide as much as half of their yearly sales.[8] But changes in family and household structures can be blamed in part for the decline in overall holiday spending. An increase in the number of divorced parents forces children to split holidays between two households, taking some of the joy out of the celebrations and making the physical movement of large gifts more difficult. With households in many industrialized countries having fewer children, fewer gifts need to be purchase. And families tend to buy the items they need when they want them rather than wait to receive them as gifts. This also makes it difficult for family members to buy gifts for me one another because many consumers (especially 45-to 60-year-olds) already have what they want.[9]

There has been a shift among some consumers away from the commercialization of the holidays and toward the religious and familial meaning of traditions and celebrations. Advertisements attempt to relate a family's holiday celebrations to consumption as do in-store and shopping mall decorations. Figure 12.2 shows how Duracell relates to the holidays in an ad, whereas egift relates to consumers' need to buy gifts throughout the year in Figure 12.3.

To determine how the family makes its purchase decisions and how the family affects the *future* purchase behaviour of its members, it is useful to understand the functions provided and the roles played by family members to fulfill their consumption needs.

Traditionally, family is defined as two or more persons related by blood, marriage, or adoption who reside together. In a more dynamic sense, the individuals who constitute a family might be described as members of the most basic social group who live together and interact to satisfy their personal and mutual needs.

Though families sometimes are referred to as household, not all households are families. For example, a household might include individuals who are not related by blood, marriage, *or* adoption, such as unmarried couples, family friends, room-mates, *or* boarders. However, within the context of consumer behaviour, households and families usually are treated as synonymous, and we will follow this convention.

In India three types of families dominate: (1) the married couple, (2) the nuclear family and C3) the extended family. The simplest type *of* family, in terms *of* member, is the married couple-a husband and a wife. As a household unit, the married couple generally IS representative *of* new marrieds who have not yet started a family, and older couples who have already raised their children. A husband and wife and one or more children constitute a nuclear family. This type of family is still the cornerstone of family life. The nuclear family, together with at least one grandparent living within the household, is called an extended family. The three-generation family, which at one time was most representative of the Indian family, has been declining because of a variety of family lifestyles. In particular, the incidence of the extended family has suffered because of the geographic mobility that has become commonplace among young people.

Not surprisingly, which type of family is most "typical" can vary considerably from culture to culture. For instance, in an individualistic society such as the United Sates, the nuclear family is most common. In a kinship culture (with extended families) such as India, a family would commonly include a head of household, married adult children, and grandchildren.

2. Functions of the Family

Four basic functions provided by the family are particularly relevant to a discussion of consumer behaviour. These include (1) economic well-being, (2) emotional support, (3) suitable family lifestyles, and (4) family-member socialization.

2.1 Economic Well-Being

Providing financial means to its dependents is unquestionably a basic family function. How the family divides its responsibilities for providing economic well-being has changed considerably during the past 25 years. The traditional roles of husband as economic provider and wife as homemaker and child rearer are still valid. The majority of wives in our country are not employed outside the home and their husbands don't share household responsibilities. The economic role of children has changed. Today, even if some teenage children work, they rarely assist the family financially. Their parents are still expected to provide for their needs. But some of them get enough pocket-money to decide their consumption of discretionary items.

2.2 Emotional Support

The provision of emotional nourishment (including love, affection, and intimacy) to its members is an important basic function of the contemporary family. In fulfilling this function, the family provides support and encouragement and assists its members in coping with personal or social problems. To make it easier for working parents to show their love affection and support for their children, greeting-card companies have been marketing cards especially for parent to give to their children.

If the family cannot provide adequate assistance when it is needed, it may turn to a professional counselor or psychologist as an alternative. For instance, in most communities, many educational and psychological centers are available that are designed to assist parents who want to help their children improve their learning and communication skills, or generally, better adjust to their environments. Likewise in urban areas tutors are engaged since working couples may not have enough time to teach their children at home.

Suitable Family Lifestyles

Another important family function in terms of consumer behaviour is the establishment of a suitable lifestyle for the family. Upbringing, experience, and the personal and jointly-held goals of the spouses determine the importance placed on education or career, on reading, on television viewing, on the frequency and quality of dining out, and on the selection of other entertainment and recreational activities. Family lifestyle commitments, including the allocation of time, greatly influence consumption patterns. For example, the increase in the number of married women working outside the home has reduced the time they have available for household chores, and has created a market for convenience products and fast-food restaurants. Also, with both parents working, an increased emphasis is placed on the notion of "quality time", rather than the "quantity of time" spent with children and other family members. Realizing the scarcity of quality family time, Marriott hotels feature a variety of weekend packages targeted to couples and their children.

Socialization of Children and Other Family Members

The socialization of family members, especially young children, is a central family function. In large part, this process consists of imparting to children the basic value and modes of behaviour consistent with the culture. These generally include moral and religious principles, interpersonal skills, dress and grooming standard, appropriate manners and speech, and the selection of suitable educational and occupational or career goals.

Socialization skills (manners, goals, values, and other qualities) are imparted to a child directly through instruction and indirectly through observation of the behaviour of parents and older siblings. Marketers often target parents looking for assistance in the task of socializing preadolescent children.

It is important to recognize that the socialization of young children provides a foundation on which later experiences continue to build throughout life. These experiences are reinforced and/or modified as the child grows into adolescence, the teenage years, and eventually into adulthood.

3. Consumer Socialization

The aspect of childhood socialization that is most relevant to the study of consumer behaviour is consumer socialization, which is defined as the process by which children acquire the skills, knowledge, and attitudes necessary to function as consumers. A variety of studies have focused on how children develop consumption skills. Many children acquire their consumer behaviour norms through observation of their parents, who function as role models. While preadolescent children tend to rely on their parents and older siblings as the major sources of cues for basic consumption learning, adolescents and teenagers are likely to look to their friends for models of acceptable behaviour.

Shared shopping experiences (i.e., coshopping-when mother and child shop together) also give children the opportunity to acquire in-store skills. Possibly because of their more hurried lifestyles, working mothers are more likely. to undertake co shopping with their children than are non-working mothers. Coshopping is a way of spending time with one's children while at the same time accomplishing a necessary task.

Consumer socialization also serves as a tool by which parents influence other aspects to the socialization process. For instance, parents frequently use the promise or reward of material goods as a device to modify or control a child's behaviour. A mother may reward her child with a gift if the child does something to please her, or she may withhold or remove it if the child disobeys. Research conducted by one of the authors supports this behaviour-controlling function. Specifically, adolescents reported that their parent s frequently used the promise of chocolate candy as a means of controlling their behaviour (e.g., getting them to complete homework or to clean their rooms).

Consumer socialization has two distinct components: (1) Socialization directly related to consumption, such as the acquisition of skills and knowledge concerned with budgeting, 'pricing, and brand attitudes; and (2) Socialization indirectly related to consumption, such as the underlying motivations that spur a young man to purchase his first razor or a young girl to want her first bra. Both types of socialization are significant. The indirect component of consumer socialization is often of most interest to marketers, who want to understand why people buy their products. The direct component of consumer socialization is often of greatest interest to academic consumer researchers, who have broader goals of understanding all aspects of consumer behaviour.

Adult Consumer Socialization

The socialization process is not confined to childhood; rather, it is an ongoing process. It is now accepted that socialization begins in early childhood and

extends throughout a person's entire life. For example, when a newly married couple establishes a separate household, their adjustment to living and consuming together is part of this continuing process. Similarly, the adjustment of a retired couple who decide to move to their native place is also part of the ongoing socialization process.

Figure shown below presents a simple model of the socialization process that focuses on the socialization of young children,

but that can be extended to family members of all ages. Note that the arrows run both ways between the young person and other family members, and between the young person and his or her friends. This two-directional arrow signifies that socialization is really a two-way street, in which the young person is both socialized and influences those who are doing the socializing. Supporting this view is research indicating that children of all ages often influence the opinions and behaviour of their parents.
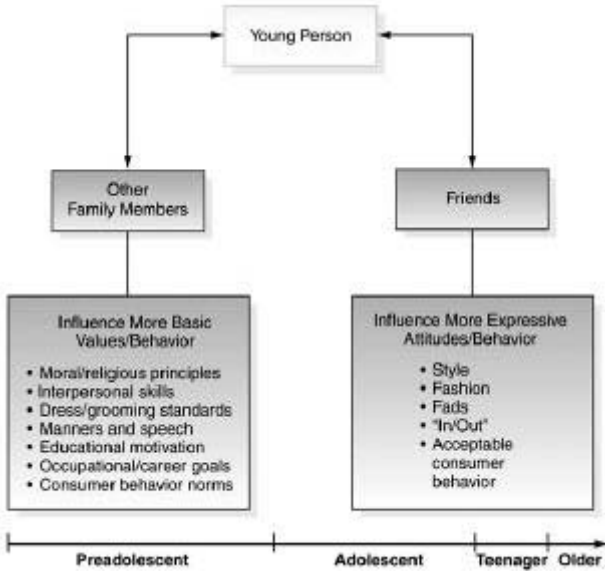
Figure – 25.1 : model of consumer socialization

Activity 2

Select three product categories and compare the brands you prefer to those your parents prefer. To what extent are the preferences similar? Discuss the similarities in the context of consumer socialization.

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5. Family Life Cycle

STAGES IN FAMILY LIFE CYCLE	ECONOMIC CIRCUMSTANCES	LIKELY BUYING BEHAVIOUR
Bachelorhood (Young, single staying alone)	Earning reasonable good salary, no financial burdens	Buy, basic kitchen equipment basic furniture, two wheeler, vacation with friends
Parenthood (young married just attained parenthood)	Better off financially, though home purchases at peak, less liquid assets, not able to save more.	Buys baby food, toys, diapers, chest & cough medicines
Post parenthood (growing children or grown up children)	Financial position improved with wife working, probability of home ownership on the higher side).	Concentrates on home improvements. Buy more tasteful furniture, car, home appliances, and magazines. Interested in vacation packages.
Dissolution (retired & lone surviving spouse)	Income though good, not interested in spending. At times drastic cut in income is likely.	Buy more medicinal products ant other products like the retired people. Seeks more of attention, affection and security conscious.

Fig. 25.2 Stages in family life Cycle

Family Life Cycles

Families pass through a series of stages that change them over time. This process historically has been called the **family life cycle** (FLC). The concept may need to be changed to **household life cycle** (HLC) or **consumer life cycle** (CLC) in the future to reflect changes in society. However, we will use the term **FLC**[22] to show how the life cycle affects consumer behavior.[23]

Family Life Cycle Characteristics

The traditional FLC describes family patterns as consumers marry, have children, leave home, lose a spouse, and retire. These stages are described in Figure 12.6, along with consumer behaviors associated with each stage. But consumers don't necessarily have to pass through all these stages-thy can skip multiple stages

Figure 12.6 Consumer Activities Occurring in Various Life Cycles

Young Singles

Young singles may live alone, with their nuclear families, or with friends, or they may co-habitate with partners-translating into a wide range of how much disposable income is spent on furniture, rent, food, and other living expenses in this stage. Although earnings tend to be relatively low, these consumers usually don't have many financial obligations and don't feel the need to save for their futures or retirement. Many of them find themselves spending as much as they make on cars, furnishings for first residences away from home, fashions, recreation, alcoholic beverages, food away from home, vacations, and other products and services involved in the dating game. Some of these singles may have young children, forcing them to give up

some discretionary spending for necessities such as day care and baby products.

Newly Married Couples

Newly married couples without children are usually better off financially than they were when they were single, since they often have two incomes available to spend on one household. These families tent to spend a substantial amount of their incomes on cars, clothing, vacations, and other leisure activities. They also have the highest purchase rate and highest average purchases of durable good (particularly furniture and appliances) and appear to be more susceptible to advertising.

Full Nest I

With the arrival of the first child, parents being to change their roles in the family, and decide if one parent will stay to care for the child or if they will both work and buy daycare services. Either route usually leads to a decline in family disposable income and a change in how the family spends its income. In this stage, families are likely to move into their first home; purchases furniture and furnishings for the child; buy a washer and dryer and home maintenance items; and purchase new items such as baby food, cough medicine, vitamins, toys, sleds, and skates. These requirements reduce families' ability to save, and the husband and wife are often dissatisfied with their financial position.

Full Nest II

In this stage, the youngest child has reached school age, the employed spouse's income has improved, and the other spouse often returns to part-or full-time work outside the home. Consequently, the family's financial position usually improves, but the family finds itself consuming more and in larger quantities. Consumption patterns continue to be heavily influenced by the children, since the family tends to buy large-sized packages of food and cleaning suppliers, bicycles, music lessons, clothing, sports equipment, and a computer. Discount department stores (such as Costco and Sam's Club) are popular with consumers in this stage.

Full Nest III

As the family grows older and parents enter their min-40s, their financial position usually continues to improve because the primary wage earner's income rises, the second wage earner is receiving a higher salary, and the children earn spending an education money from occasional and part-time employment. The family typically replaces some worn pieces of furniture, purchases another automobiles, buys some luxury appliances, and spends money on dental services (braces) and education. Families also spend more on computers in this stage, buying additional PCs fro their older children. Depending on where children go to college and how many are seeking higher education, the financial position of the family may be tighter than other instances.

Married, No Kids

Couples who marry and do not have children are likely to have more disposable income to spend on charities, travel, and

entertainment than either couples with children or singles in their age range. Not only do they have fewer expenses, these couples are more likely to be dual-wage earners, making it easier for them to retire earlier if they sav appropriately.

Older Singles

Single, ago 40 or older, may be Single Again (ending married status because of divorce or death of a spouse) or Never Married (because they prefer to live independently or because they co-habitate with partners), either group of which may or may not have children living in the household. Single Again families often find themselves struggling financially due to the high cost of divorce and the expense of having to raise a family on one income. They often have to set up a new household (usually not as big as their previous home); buy furnishings accordingly; pay alimony and/or child support; and sometimes increase travel expenditures if the children live in another city, state, or country. They also pay for clothing and leisure activities conducive to meeting a future mate. On the other hand, many Never Married Single households are well-off financially since they never had to pay child-related costs and often live in smaller homes than large families require. This group now has more available income to spend on travel and leisure but feels the pressure to save for the future, since there is no second income on which to rely as they get older.

Empty Nest I

At this stage, the family is most satisfied with its financial position. The children have left home and are financially independent allowing the family to save more. In this stage discretionary income is spent on what the couple wants rather than on what the children need. Therefore, they spend on home improvements, luxury items, vacations, sports utility vehicles, food away from home, travel, second homes (or smaller but nicer homes than were needed to house large families), and product for their grand children. This group is also more educated than generations in the past and are looking for un education opportunities, including eco-tourism and computer-related skills.

Empty Nest II

But this time, the income earners have retire, usually resulting in a reduction in income and disposable income. Expenditures become health oriented, centering on such items as medical appliances and health, sleep and digestion medicines. They may also move to climates more suitable to their medical require-ments. But many of these families continue to be active and in good health, allowing them to spend time traveling, exercising, and volunteering. Many continue working part time to supple-ment their retirement and keep them socially involved.

Solitary Survivor

Solitary survivors be either employed or not employed. If the surviving spouse has worked outside the home in the past, he or she usually continues employment or goes back to work to live on earned income (rather than saving) and remain socially active. Expenditures for clothing and food usually decline in this stage, with income spent on health care, sickness care, travel

entertainment, and services, such as lawn care and house cleaning. Those who are not employed are often on fixed incomes and may move in with friends to share housing expenses and companionship, and some may choose to re-marry.

Retired Solitary Survivor

Retired solitary survivors follow the same general consumption patterns as solitary survivors; however, their income may not be as high. Depending on how much they have been able to save throughout their lifetimes, they can afford to buy a wide range of products. But for many, spending declines drastically due to lack of need for many new products and higher medical expenses. These individuals have special needs for attention, affection, and security.

based on their lifestyle choices. When reviewing this informa-tion, think about how contemporary developments such as divorce, smaller family size, and delayed age of marriage affect the consumption activities of these stages.[24]

The family lifecycle can be depicted graphically by using a curve similar to that of the product lifecycle. Figure 12.7 show shows how income, on average, changes during life and how saving behavior affects income in latter stages. As household leaders enter their 30s and 40s, often their income levels increase (because they begin to reach higher earning positions and two adults are working), but so do their spending levels (especially if they have children). This decreases their disposable income during these life stages, making it more difficult for them to save money or splurge on luxury items. It is projected that between 1997 and 2002 the number of U.S. households headed by people between the ages of 25 and 44 will decline by 1.7 million, to 43 million, while householders between the age of 45 and 64 will increase 5.5 million, to 37 million.[25] Changes in life stage and family life cycle will affect the demand for products from home furnishings to travel.

Marketers use the descriptions of these FLC stages when analyzing marketing and communication strategies for products and services, but they often add additional information about consumer markets to analyze their needs, identify niches, and develop consumer-specific marketing strategies. Marketers can add socioeconomic data (such as income, employment status, financial well-being, and activities) to family life stages to improve predictions about product choices and help explain further consumer activities.[26]

Figure 12.8 shows how marketers might accomplish this task with a matrix of specific demographic or lifestyle factors, such as delaying having children or not having them at all.[27]

The data resulting from this type of analysis permit a quantita-tive analysis of market sizes. Additional data can be collected concerning preferences, expenditures, and shopping behaviors of each segment to identify and help attract core customers in the life stage most profitable to the firm. Keep in mind that life stage can be different for different consumers. For example, according to federal statistics, the number of older, second-generation fathers (men who remarry and have second families later in life) is growing.[28] Though these men may be in their 50s, their life stage is similar in many ways to that of a 30-year-old

father – sometimes leaving them paying for one child's wedding while paying for another child's daycare. The FLC helps explain how families change over time; what's more, modified with market data, including individuals' life stage, it is useful in identifying core market targets.

Activity 3

Which of the five stages of the traditional family the cycle constitute the most lucrative segment(s) for the following products and services: (a) telephone party lines, (b) a club Med vacation, (c) Domino's Pizza, (d) compact disc players, and (e) mutual funds. Explain your answer.

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Figure 12.8 Family Market Segmentation Analysis Matrix

FLC Stage	Age	Employment Status	Financial Well-Being	Activities Interests	Where Live	Income	How Active	Other Family In Household?
Young Singles Newly Married Couples Full Nest I Full Nest II Full Nest III Married, No Kids Older Singles Empty Nest I Empty Nest II Solitary Survivor Retired Solitary Survivor								

Family and Household Spending

Family life cycle stage is the most important predictor of family or household spending. The latter years of the 1990s brought with them economic growth and prosperity to many industrialized nations, including North America. At first glance, one might think that consumer spending must have sky-rocketed during this time-especially since the number of households grew and baby boomers had entered their peak spending years. But when examined from a household standpoint, the analysis revealed that the average American household spent cautiously during this time even though unemployment levels were down and wage rates were up. In fact, it wasn't until the last few years of the decade that spending by individual households was restored to the levels of 1987. The average household spend 13 percent less of food away from home, 25 percent less on major appliances, and 15 percent less on clothing in 1997 than in 1987.[29] Figure 12.9 shows how household spending changed for 12 major categories during the last decade of the 20th century. When examining these numbers, analyze why you think spending changed by thinking about demographic, lifestyle, and family issues.

Activity 4

Tick the correct choice

1. A family that has at least one of the grandparents living within the household is called a/an _____ family.
   a. nuclear
   b. in-law household
   c. extended
   d. expanded

2. The _____ is central to family function. The process includes imparting to children the basic values and modes of behavior consistent with the culture.
   a. socialization of family members
   b. consumer socialization process
   c. technical learning
   d. reward process

3. _____ is defined as the process by which children acquire the skills, knowledge, attitudes and experiences necessary to function as consumers.
   a. Socialization of family members
   b. Consumer socialization
   c. Consumer behavior
   d. Household consumption

4. Children develop consumption skills in different ways. Preadolescent children acquire their consumer behavior norms mainly through:
   a. observation of their parents and older siblings.
   b. looking to their friends for models of acceptable consumption behavior.
   c. seeking a celebrity spokesperson's endorsement of a product.
   d. trial and error.

5. Which of the following products is not likely to be a brand that is transferred intergenerationally?
   a. mayonnaise
   b. coffee
   c. peanut butter
   d. running shoes

6. "I still buy the brands that my grandmother and mother used to buy. I am scared to try anything else, for it will not meet the standards." This shows the importance of _____.
   a. adult consumer socialization
   b. child consumer socialization
   c. intergenerational socialization
   d. consumer behavior

7. According to our text, which of the following is <u>not</u> one of the three main functions of the family?

    a. to provide economic well-being

    b. to provide a venue for consumer socialization

    c. to provide emotional support

    d. to provide a suitable lifestyle

8. Which of the following is an indication that the economic role of children in the family has changed in today's society in comparison to the previous generation?

    a. Children are expected to take part in household chores.

    b. Children are expected to have jobs after high school.

    c. Children are expected to pay for their own entertainment, and to contribute to the cost of their education.

    d. Children are burdened with making brand decisions in all different categories of products.

9. A family's upbringing, experience, importance of education, TV viewing, learning of computer skills, and frequency and quality of dining out, are all aspects of _____ that a family instills in its members.

    a. culture

    b. values

    c. lifestyle

    d. norms

Key Terms

- Family
- Family Life Cycle
- Consumer Socialization
- Adult Consumer Socialization
- Single-Parent Family
- Socialization of Family members
- Traditional family life cycle
- Families versus Households

Points To Remeber

FAMILY

A **family** is a group of two or more persons related by blood, marriage, or adoption who reside together.

Types of Families

- The **nuclear family** is the *immediate group of father, mother, and child(ren) living together*
- The **extended family** is the *nuclear family, plus other relatives, such as grandparents, uncles and aunts, cousins, and parents-in-law*

Types of Families ('contd)

- **Family of orientation** is the family into which one is born is called the
- **family of procreation** is the *one established* by *marriage*

Structural Variables Affecting **Families** and Households

- age of the head of household or family
- marital status
- presence of children, and
- employment status

HOUSEHOLD

The term **household** is used to describe all person, both related and unrelated, who occupy a housing unit

Sociological Variables Affecting Families and Households

- Cohesion
- adaptability, and
- communication.

Functions of the family

- economic well-being
- emotional support
- suitable family lifestyles, and
- family-member socialization.

Stages in family life Cycle ('contd)

- **Older Singles**
- **Empty Nest I**
- **Empty Nest II**
- **Solitary Survivor**
- **Retired Solitary Survivor**

Stages in family life Cycle

- **Young Singles**
- **Newly Married Couples**
- **Full Nest I**
- **Full Nest II**
- **Full Nest III**
- **Married, No Kids**

LESSON 24:
FAMILY DECISION-MAKING

Introduction
Consumer behaviour is a process and purchase is only one stage in that process. In this lesson you will be learning about the family decision making process. WE will do this with the help of a model and explain how each member of the family interact with each other and come to a decision about buying. This model explains the decision making process of a group, viz., the family.

Objectives
After going through this lesson, you should be able to:

- Understand the family decision making concept

- Apply the family decision making model.

Who Determines What the Family Buys?
Families use products even though individuals usually buy them. Determining what products should be bought, which retail outlet to use, how and when products are used, and who should buy them is a complicated process involving a variety or roles and actors.

Role Behavior
Families and other groups exhibit what sociologist Talcott Parsons called instrumental and expressive role behaviors. **Instrumental roles,** also known as functional or economic roles, involve financial, performance, and other functions performed by group members. **Expressive roles** involve supporting other family members in the decision-making process and expressing the family's aesthetic or emotional needs, including upholding family norms. How individual family members perform each of these roles may influence how they allocate family income to different types of products or retailers.

Individual Roles is Family Purchases Family consumption decisions involve at least five definable roles, which may be assumed by spouses, children, or other members of a house-hold. Both multiple roles and multiple actors are normal.

Marketers need to communicate with consumers assuming each of these roles, remembering that different family members will assume different roles depending on the situation and product. Children, for example, are users of cereals, toys, clothing, and many other products but may not be the buyers. One or both of the parents may be the decider and the buyer, although the children may be important as influencers and users. Parents may act as gatekeepers by preventing children from watching some TV programs or attempting to negate their influence. And those with the most expertise in an area may take on influencer roles.

6. Family Roles
For a family to function as a cohesive unit, roles or tasks-such as doing the laundry, preparing meals, setting the dinner table, taking out the garbage, walking the dog must be carried out by one or more family members. In our dynamic society, etc. family-related roles are constantly changing. For instance, given the substantial number of married women working outside the home, and the greater assumption of household tasks by men marketers must be particularly sensitive to how shifting family roles may affect the composition of their target markets. In addition, they must be careful to phrase their ads in ways that are appropriate and acceptable to their target markets.

6.1 Key Family Consumption Roles
Before describing the model of family decision-making, it is important to understand to understand how the various family members interact with each other in the context of their consumer decision-making. These interactions are determined by the different consumption related roles played by members in a family. These roles are:

The roles played by the different family members will vary from product to product. While shopping in the market, a housewife comes across a new variety of juice that she buys for the family. Her decision to purchase does not directly involve the influence of other family members. She is the decider, buyer; she may or may not be the preparer and is not the only user.

In case of products such as television, car, music systems, furniture or any other product which is likely to be used by some or all the family members, the purchase decision is likely to be joint or group decision with participation of some or all family members. Fig 14.2 shows a model of family decision-making.

There are eight distinct roles in the family decision-making process. A look at these roles provides further insight into how family members act in their various consumption-related roles:

1. **Influencers**: Those family members who provide information and advice and thus influence the purchase. The housewife tells her family about the new eatery that has opened in the neighborhood and her favorable description about it influences her husband and teenaged children to also patronize the restaurant. Family member(s) who provide information to other members about a product or service.

2. **Gatekeepers:** Those family members who control the flow of information about a product/service thus influencing the decisions of other family members. The teenaged son who wants a racing bicycle, may withhold from his father much of the relevant information on all brands except the one that he fancies, thereby influencing his father's decision in favour of his preferred brand. Family member(s) who

control the flow of information about a product or service into the family.

3. **Deciders:** Family members who have the power to unilaterally or jointly decide whether or not to buy a product or service. The husband and wife may jointly decide about the purchase of a new refrigerator. Family member(s) with the power to determine unilaterally or jointly whether to shop for, purchase, use, consume, or dispose of a specific product or service.

4. **Buyers**: Those family members who actually buy a particular product or service. A housewife may be the person who actually buys all the foodstuffs, rations and toiletries, which are consumed by all the family members. Family member(s) who make the actual purchase of a particular product or service.

5. **Preparers**: Those family members who transform or prepare the product into the form in which it is actually consumed. The housewife may prepare the family meal using raw vegetables, lentils, spices, oil and other ingredients. Family member(s) who transform the product into a form suitable for consumption by other family members.

6. **Users:** Those family members who use or consume a particular product or service. All family members may use the car, watch the television, and listen to the stereo music system 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 number and identity of the family members who fill these roles vary from family to family and from product to product. In some cases, a single family member will independently assume a number of roles; in other cases, a single role will be performed jointly by two more family members. In still other cases, one or more of these basic roles may not be required. For example, a teenage son browsing through a video rental store may pick out a newly released movie. His selection does not directly involve the influence of other family members. He is the decider, the buyer (i.e., renter), and in a sense, the gatekeeper; however, he mayor may not be the sole user (i.e., viewer). Products may be consumed by a single family member (beer, lipstick), consumed or used directly by two or more family members (frozen vegetables, shampoo), or consumed indirectly by the entire family (furniture, curtains, paintings).

6.2 Influencing Spouses and Resolving Consumer Conflicts

When making consumer decisions, husbands and wives commonly attempt to influence each other to arrive at what they feel to be the best outcome. Six influence strategies for resolving husband/wife consumption-related conflicts have been identified:

- **Expert:** At attempt by a spouse to use his or her superior information about decision alternatives to influence the other spouse.

- **Legitimacy:** An attempt by a spouse to influence the other spouse on the basis of position in the household.

- **Bargaining:** An attempt by a spouse to secure influence now that will be exchanged with the other spouse at some future date.

- **Reward:** An attempt by a spouse to influence the behaviour of the other spouse by offering a reward.

- **Emotional:** An attempt by spouse to use an emotion-laden reaction to influence the other spouse's behaviour.

- **Impression:** Any persuasive attempts by one spouse to influence the behaviour of the other.

These influence strategies tend to be used by either husbands or wives when they find themselves in disagreement or in conflict with the other spouse regarding specific consumer decision. For instance, we all have experienced occasions on which different restaurants to visit, see different movies, or go on a different type of family vacation. These are only a few examples of the almost endless possibilities of potential family consumption conflicts that might need to be resolved.

In a consumer behaviour context, advertising or an in-store shopping experience (e.g., a point-of-purchase display or handling a product) might provide enough additional information to enable a husband or wife to effectively change the other spouse's views.

6.3 Dynamics of Husband/Wife Decision Making

Marketers are interested in the relative amount of influence that a husband and a wife have when it comes to family consumption choices. Most husband/wife influence studies classify family consumption decisions as husband-dominated, wife-dominated, joint (i.e., equal or syncratic), and autonomic (i.e., unilateral).

Studies that have examined both the extent and nature of husband/wife influence in family decisions have found that such influence is fluid and likely to shift, depending on the specific product or service, the family role structure orientation, and the specific stage in the decision-making process. These factors also are mediated by changing lifestyles, particularly the changes in family lifestyle. Options associated with women working outside of the home, and so on.

6.4 Variations by Family Role Structure Orientation

A family's orientation regarding sex roles is a key factor when it comes to consumption decisions. In families with a modem sex-role orientation (i.e., a commitment to husband/wife equality), consumption decisions are likely to be evenly distributed between the two spouses, and there is less disagreement between husband and wife as to the purchase decision.

Role structure and decision making within the family appear to be related to culture and subculture. A cross-cultural study reported that husbands in less developed nations, made significantly more unilateral decision than husbands in developed nations and that significantly more joint decisions took

place in developed nations that in less developed nations. Dutch wives were found to make fewer decisions than their American counterparts.

The sub cultural factor of religion, and the related dimension of religious orientation, also have been found to be associated with family decision making.

6.5 Variation by State in the Decision-Making Process

The roles of husbands and wives may differ at various points throughout the decision-making process. A simple, three-stage family decision-making model includes problem recognition, search for information, and final decision. The initial decision-making role pattern established in stage one (problem recognition) usually continues during the two remaining stages (search for information and final decision). However, for some decisions, there are stage-to-stage shifts. For instance, recognition of the need for a new washing machine may be wife dominant, the search for information concerning the potential purchase might be largely autonomic (usually by the wife), and the finally decision might be made jointly by both spouses.

6.6 Children

As any parent knows, young children attempt to influence family decisions as soon as they possess the basic communication skills needed to interact with other family members ("Buy me a cookie", "I want a Barbie doll", "Let's eat at McDonald's".). Older children are likely to participate more directly in family consumption activities. In a study of children aged 6 to 14, more than half indicated that they influenced family purchase decisions, such as choice of vacations, stereo equipment, and home computers. Other research indicates that children play relatively important roles when it comes to initiating interest in a new computer and in the actual purchase decision.

The parent-child relationship, as it relates to consumer behaviour, can be viewed as an influence versus yield situation. Specifically, children attempt to influence their parents to make a purchase (to yield). In observing shoppers in a supermarket, it is quite evident that children attempt to influence their parents to make purchases of special interest (e.g., laundry detergents) for which they see ads on TV.

Activity 1

How does the family influence the consumer socialization of children? What role does television advertising play in consumer socialization?

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6.7 Teenagers and Post teens

A significant number of teenagers have discretionary spending in terms of spending patterns. High school students (those in grades 7 through 12) are most interested in sports and fitness. Boys between the ages of 16 and 19 spend most of their money on movies, dating, entertainment, vehicle expenses, and clothing, while girls of that age spend most of their money on clothing, cosmetics, and fragrances.

The teen market can be segmented in terms of lifestyle groups. Figure below presents a four-category segmentation schema of the teenage market. Such segmentation framework has value for marketers who wish to focus their marketing efforts on a particular subgroup of teens.

SEGMENT NAME	KEY CHARACTERISTICS
1. Socially driven.	Primarily female; active and extroverted. They are optimistic and plan to attend College.
2. Versatile Participant	Slightly more females than males: responsible teens, but less optimistic and less likely to plan to attend college than the Social Driven. They are comfortable in social and solitary situations.
3. Passive Introverts	Slightly more males than females: withdrawn, self-conscious, and the least comfortable in social situations. They are less optimistic about, the future, and spend the least.
4. Sports Oriented	Primarily males: outgoing, active, and greatly interested in participating in and watching sports. Sports influence their self-image and what they buy.

Figure. 25.3: lifestyle segmentation of the teen market

Family marketing focuses on the relationships between family members based on the roles they assume, including the relationship between purchaser and family consumer and between purchaser and purchase decision maker. Family marketing identifies scenarios where some purchase might have more than one decision maker, whereas some have more than one consumer. Sometimes the purchaser and consumer are the same person; sometimes they are different people. The family marketing model, as see in Figure 12.4, represents nine cells describing various purchaser-consumer relationships. Depending on where in the matrix various products fall, marketers can advertise and position products differently according to their purchaser-consumer relationships.

Figure 12.4 The Family Marketing Model

Family purchase fall into a 9 categories, depending on who makes the purchase decision and who users the item purchased.

A Consumer	A Purchase Decision Maker		
	One Member	Some Members	All Members
One Member	1	2 Tennis Racket	3
Some Members	4 Sugar Pops	5	6
All Members	7	8	9 Refrigerator
For Example: 1. Mom and Dad go to buy a new tennis racket for Mom. Dad advises Mon on her purchase. 2. Mom goes to the grocery store to buy Sugar Pops cereal for her children. She'll never eat the stuff. 3. Mom, Dad, and the kids go to the department store to buy a refrigerator. All members are decision-makers and all are consumers; cell 9.			

Source: Robert Boutilier, "Pulling the Family's Strings, "American Demographics (August 1993), 46.

The family purchase decision-making process can be complex, but answering the following questions helps identify different purchaser-consumer relationships.

1. Who's buying for whom?
2. Who are the principal characters?
3. What's the plot for the purchase?
4. Who wants what when?
5. What can we assume?[10]

Although these answers may not identify all essential relationships marketers should consider, they do identify a family marketing plan, which creates a relationship between individuals and products based on the role each individual has in the influence or purchase of products.

In the restaurant industry, the trend has been to focus on marketing to the family as a single unit.[11] Although several decades ago, "going out for dinner" described a special night out for dating or married couples, today it describes a typical evening's solution for making and eating dinner for many American families. Though Boston Market led the pack of restaurants catering to home-style meals, other restaurant companies are creating fully integrated family marketing programs that include special advertising, menus, packaging, couponing, videos, and movies tie-ins. For example, KFC adopted a new mantra a few year ago-"take back the family." It focused on addressing family needs (such as convenience, quickness of service, affordability, and variety) from the mother's, father's, and children's perspectives. In addition to adding roasted chicken, and chicken strips, and pot pies to its menu (much to the delight of its adult customers), KFC also developed a promotional program featuring Timon and Pumbaa characters from the Disney move The Lion King (much to the delight of children).

Admittedly, the appeal to families arose from the restaurant industry's desire to grow sales and profits. At Burger King, the family market represents about one-third of its business. Children that come in and buy $1.99 Kids Club meals bring the entire family and boost the average check to approximately $ 9.00.

Restaurants are monitoring closely the changes occurring in the modern family. Kroger (a national grocery chain), Eatzies (a chain of mainstream healthy food stores) have made great strides in the home meal replacement (HMR) arena. HMR provides a solution to time-rushed families that don't have time to prepare a variety of main courses and numerous side dishes from which to choose, and they make it easy for either the male or female householder or teenager to "assemble" a well-balanced meal for the family.

Spousal Roles in Buying Decisions Which spouse is more important in family buying decisions? How does this vary by product category, state of decision-making process, and individual household? Generally, the following role structure categories are used to analyze these questions:

1. Autonomic: an equal number of decisions is made by each spouse, but each decision is Individually made by one spouse or the other
2. Husband dominant: the husband or male head-of-household makes a majority of the decisions.
3. Wife dominant: the wife or female head-of-household makes a majority of the decisions.
4. Joint (syncratic): most decisions are made by the both husband and wife

These categories are sometimes simplified to "husband more than wife," "wife more than husband," "both husband and wife," or simply "husband only," "wife only," or "children only." The type of product, stage in the decision process, and nature of the situation surrounding the decision influences which situation exists. And, keep in mind, that the terminology husband and wife apply to roles performed by members of the household and are used even though the family members might not be married or may be same-sex couples.

Harry Davis and Benny Rigaux conducted a landmark study investigating husband-wife influences.[12] Their findings are

usually presented in the familiar triangular configuration shown in Figure 12.5 and have greatly influenced thinking about the relative influence of husbands are wives on decision making and the extent of role specialization. Are there some roles in family decision making that one spouse typically performs? The study seems to indicate yes, but you can apply some of the information examined throughout this text to identify how the roles of household members are changing.

Influences on the Decision Process

How do husbands and wives perceive their relative influence on decision making across the decision stages? And what does this mean for marketers? Figure 12.5 shows how some product-service categories are traditionally wife dominant. They include women's clothing, children's clothing, and groceries. Tow categories that are husband dominant include lawn mowers and hardware. Joint decisions tend to be made about vacations, televisions, refrigerators, and upholstered living room furniture. Autonomic decision- making tends to be present in decisions about categories that include women's jewelry, men's leisure clothing, men's business clothing, sporting equipment, lamps, toys and games, indoor paint and wallpaper, and luggage. By understanding where on this "map" the decisions to buy particular products fall, marketers can being to determine which aspects of specific product to advertise to different household members and which media will reach the influential family member.

Influence by Decision Stage Spouses exert different degrees if influence when passing through the different stages of the decision-making process. This is indicated in Figure 12.5 by the direction of the arrow, which shows movement from information search to final decision. This movement may be minimal in the case of many low-involvement goods but more pronounced for goods that are risky or have high involvement for the family. The decision process tends to more toward joint participation and away from automatic behavior as a final decision nears. Movement is most pronounced for refrigerators, family autos, upholstered living room furniture, and carpets or rugs. Vacations are perhaps the most democratic of a family's purchase decisions.

The information search stage is more autonomic than joint when compared with final decisions. Marketing plans thus require specialized use of media, such as magazines or other media having a strong appeal to husbands or wives rather than both. Product or store design must reflect the evaluative criteria of both since consensus on these must be achieved in the final decision. Separate campaigns may be timed to coincide with specialized interests, especially for products with a long planning cycle.

Influence of employment In the past, marketers were able to refer to the traditional role structure categories to determine which family member was most likely to purchase a specific product. The high number of women working outside the home in recent years coupled with changing coupled with changing spousal roles has affected how couples divide their buying responsibilities.[13] Although traditional buying roles still apply, husbands in dual-income marriages may be willing to stop at the grocery store to pick up a few items, and working

wives may drop the family car at the service station for an oil change. However, contemporary couples-may from the baby boomer segment-are not inclined to shift traditional joint buying responsibilities to only one spouse, but they are willing to shop jointly for major items that might have been the responsibility of one spouse in traditional families.

Influence of Gender As the gender gap narrows, husband and wife decisions are increasingly made jointly (syncratically). Qualls[14] studied family decisions concerning vacations, automobiles, children's education, housing, insurance, and savings. Prior studies showed that decisions regarding these products were usually reported as wife or husband dominant. Qualls found overwhelmingly that joint decisions are now the norm for these products, with 80 percent of children's education and housing decisions made jointly. Increasing resources of women and shift toward egalitarianism are producing more joint decision-making in product and service categories of perceived high risk. In contrast, however, time pressures, brought about by large numbers of dual-worker families, may produce more autonomic decisions in categories of perceived low risk.

Because of declining gender differences and the waning of gender identification of products, may marketers are researching how to transition gender –department products to a dual-gender positioning.[15] Easy-to-prepare foods, once targeted to women, are now marketed toward men and women, each of whom are tired when they get home from work and are looking for a way to decrease their time preparing the family meal. Yet consumer researchers must recognize that gender differences, despite movement away from sex role dominance, still exist for some products and in some situations,[16] such as personal care products. Literature reviews of these areas are available in Jenkins[17]; Bums and Granbois[18]; Gupta, Hagerty, and Myers[19]; and Roberts.[20] Although gender-related consumer behavior still exists, the roles are not determined by biological sex so much as the socialization experiences that teach men and women different consumer activities.[21]

Figure IV: A Model of Family Decision Making

Solid lines show flow of information. Dashed lines indicate feedback effect
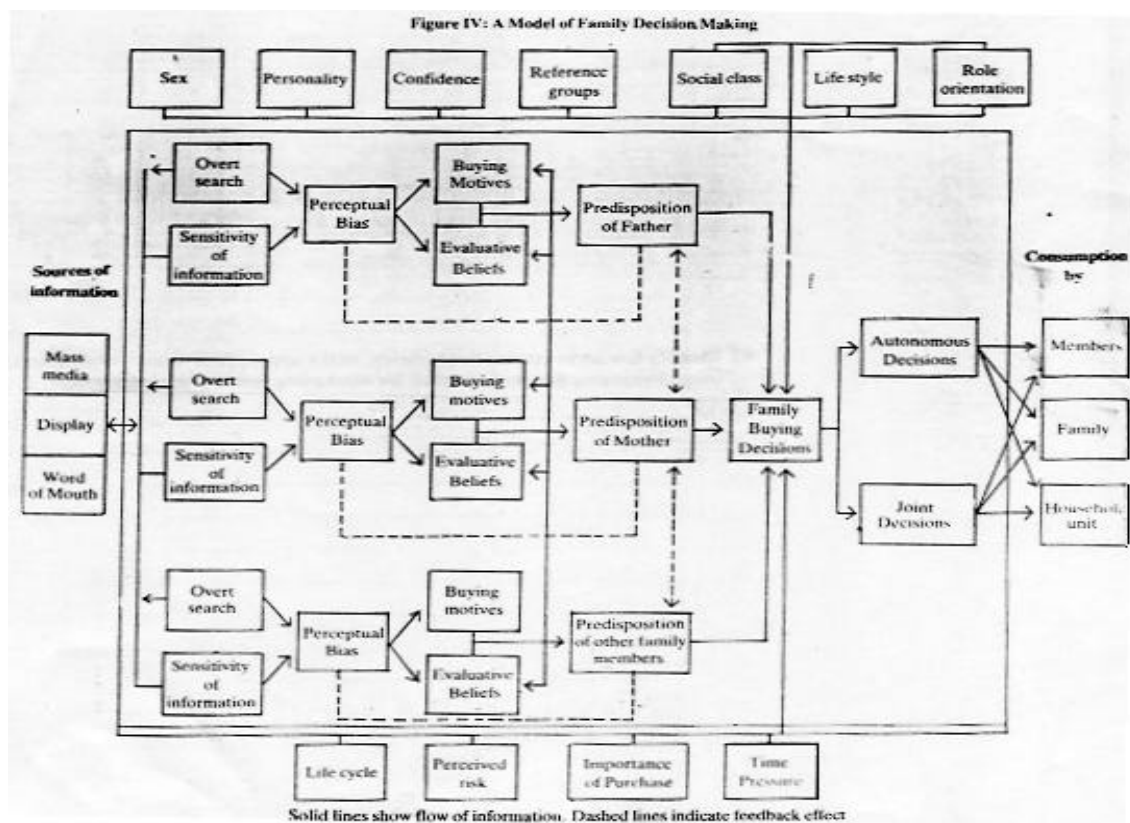
The left side of the model diagram shows the separate psychological predispositions of the father, mother and other family members which lead to "family buying decision" which may be either individually or jointly made.

Whether a decision will be made individually or jointly is affected by (i) social class, (ii) life-style, (iii) role orientation, (iv) family life cycle (v) Perceived risk, (vi) product importance, and (vii) time pressure. Decisions are more likely to be made jointly in middle class, closely knit families or in case of newly married couples. Also, when the product under consideration is thought to be important to the family, when the perceived risk is associated with it is high and there is ample time to make the decision.

Activity 2

a. Describe how the knowledge of the buying behaviour models can be used for popularizing the concept of Debit cards in your region.

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b. Identify a few socio-economic segments, make appropriate assumptions about their social behaviour and devise a plan for marketing Debit cards concept.

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Key Terms

- Influencers
- Gatekeepers
- Deciders
- Buyers
- Preparers
- Users
- Maintainers
- Disposers
- Socially driven
- Versatile Participant
- Passive Introverts
- Sports Oriented
- Husband

Influencing Spouses and Resolving Consumer Conflicts

- **Expert**
- **Legitimacy**
- **Bargaining**
- **Reward**
- **Emotional**
- **Impression**

Key Family Consumption Roles

- **Influencers**
- **Gatekeepers**
- **Deciders**
- **Buyers**
- **Preparers**
- **Users**
- **Maintainers**
- **Disposers**

Teen market segments

- Socially driven.
- Versatile Participant
- Passive Introverts
- Sports Oriented

Spousal Roles in Buying Decisions

- Autonomic
- Husband dominant
- Wife dominant
- Joint (syncratic):

Influences on the Decision Process

- **Influence of employment**

- **Influence of Gender**

LESSON 25:
SOCIAL CLASS

Introduction

As marketing students we are required to look beyond the economic explanation of consumer choice behaviour. This is because income and price though important are not sufficient enough in explaining the differences in choice. As society is becoming more and more affluent, there is a great disparity, which is rising. Thus society is getting stratified into classes.

In this chapter we are going to discuss more in depth about how social stratification influences Consumer behaviour.

Objectives

After studying this lesson you should be able to:

- Understand the concept of Social stratification

- Identify the various social classes exiting

- Measure the impact of Social classification on Consumer Behaviour

1. Social Class

What do we understand by Social class?

- The relative standing of members of a society.

This means:

- Higher positions imply higher status

We can say that Social class is more of a continuum, i.e., a range of social positions, on which each member of society can be place. But, social researchers have divided this continuum into a small number of specific classes. Thus, we go by this framework, social class is used to assign individuals or families to a social-class category.

We can now define social class as

The division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and the members of all other classes have either more or less status.

Activity 1

Under what circumstances would you expect income to be a better predictor of consumer behaviour than a composite measure of social class (for example, based on income, education, and occupation)? When would you expect the composite social-class measure to be superior?

Factors responsible for Social Stratification

S. No	Status, Value & Prestige enjoyed	Social Class	Factors affecting Social class
1	Low	Lower Class	Lower level occupation with no authority, less income, and no education or minimum education, For example, labour class or clerks etc.
2	Medium	Middle Class	Graduates, or postgraduates, executives' managers of companies with authority, drawing handsome salary of which certain amount can be saved and invested. For example, executives or middle level mangers of companies.
3	High	Higher Class	Authoritative person, drawing handsome salary, very often professionally qualified, working in a very senior position or a person born into a rich family, with a good background of education.

Fig 9.1 Factors showing social class differences

1. Authority
2. Income
3. Occupation and Achievement
4. Education

Variables	Product Category	Views or comments on Penetration
Age group	**Automobiles**	
18-34 years	Motorcycles	Second favorite (male dominated)
18-34 years	Scooters	First favorite (equally preferred by both sexes)
18-34 years	Mopeds	10%penetration (owned more by women
18-34 years	Cars	20% penetration
Beyond 35 years	Scooters	Favorite in this age group
Beyond 35 years	Cars	30% penetration
Age Group		
20-23 years	Television	35% possess television
40-45 years	Television	Around 35% possess television
Beyond 50 years	Television	Penetration is lesser as compared to above age groups
Age group		
19-30 years	Credit Cards	Aspiring to have credit cards
23-30 years	Credit Cards	Penetration in this age group below overall average
31-39 years	Credit Cards	High ownership of credit cards

Fig 9.2 Emerging needs of Indian Consumers in various Product categories
(Source: Strategic Management, Brand equity, Zero in on the Indian Consumer, pg 159)

Activity 2

Select two households featured in two different TV series. Classify each household into one of the social classes discussed in the text above and analyze its lifestyle and consumption behaviour

Characteristics of Social Classes:

Let us try to understand the main characteristics of Social class

1. Persons within a given social class tend to behave more alike

2. Social class is hierarchical

3. Social class is not measured by a single variable but is measured as a weighted function of one's occupation, income, wealth, education, status, prestige, etc.

4. Social class is continuous rather than concrete, with individuals able to move into a higher social class or drop into a lower class.

Social Class	Characteristics
Upper- Upper	Upper-Uppers are the social elite who live on inherited wealth and have well-known families. They maintain more than one home and send their children to the best schools. They are in the market for jewelry, antiques, homes, and foreign vacations. While small as group they serve as a reference group to others to the extent that other social classes imitate their consumption decisions.
Lower-Uppers	Lower Uppers are persons who have earned high income or wealth through exceptional ability in their profession or business. They usually come from the middle-class. They tend to be active in social and civic affairs and seek to buy the symbols of social status for themselves and their children, such as expensive cars, homes and schooling. Their ambition is to be accepted n the upper-upper status, a status that is more likely to be achieved by their children than themselves.
Upper - Middles	Upper Middles possess neither family status nor unusual wealth. The primarily concerned with "career". They have attained positions as professionals, independent businesspersons, and corporate managers. They believe in education and want their children to develop professional or administrative skills so that they will not drop into the lower stratum. They are civic minded and are a quality market for good clothes, homes, furniture and appliances.
Middle Class	The middle class is average paid white and blue-collar workers who try to do the proper things. Often they will buy products to "keep up with the trends". The middle class believes in spending more money on "worth-while experiences" for their children and aiming them towards professional colleges.
Working Class	Working class consists of "average pay blue collar workers and those who lead a "working class life-style", whatever income, school or job they have. The working class depends heavily on relatives for economic and emotional support, for tips on job opportunities, advice on purchase, and for assistance in times of trouble. The working class maintains a sharp sex-role division and stereotyping. They are found to have larger families than the higher classes.
Upper Lowers	Upper Lowers are working, though their living standard is just above the poverty line. They perform unskilled work and are poorly paid. Often they are educationally deficient. Although they fall near the poverty line, they manage to maintain some level of cleanliness.
Lower Lowers	Lower Lowers are visibly poverty-stricken and usually out of work. Some are not interested in finding permanent jobs and most are dependent in charity for income. Their homes and possessions are "dirty, ragged, and broken-down".

Activity 3

You are the owner of two furniture stores, one catering to upper-middle-class consumers and the other to lower-class consumers. How do social –class differences influence each store's:

a. Product lines and styles

b. Advertising media selection

c. The copy and communications style used in the ads, and

d. Payment policies?

Impact of social class

- Provides a sense of identity
- Imposes a set of 'normative' behaviours
- Classes share values, possessions, customs and activities

Marketing response to customers of different economic means

- Marketing to the low-income consumer
  - some marketers ambivalent as not perceived as long-term customers
  - constitutes a substantial group
  - target with value-oriented strategies

Key Terms

- Social Class
- Social stratification
- Impact of Social Class

Points to Remember

Social Class

The relative standing of members os a society

Social Class

- Upper-Upper
- Lower-Uppers
- Upper-Middles
- Middle Class
- Working Class
- Upper Lowers
- Lower Lowers

Impact of Social Class

- Provides a sense of identity
- Imposes a set of 'normative' behaviours
- Classes share values, possessions, customs and activities

LESSON 26:
TUTORIAL

As a marketing consultant, you were retained by the Walt Disney Company to design a study investigating how families make vacation decisions. Whom, within the family, would you interview? What kind of questions would you ask? How would you assess the relative" power" of each family member in making vacation-related decisions?

The Nestle' Company is considering introducing either hot or a cold coffee product in Thailand. Market research has revealed the following information about Thai society and culture: People in the traffic congested urban areas of Thailand tend to experience high levels of stress. Temperatures in the country are often above 80 degrees. Given this information, should Nestle' use traditional advertising to promote the coffee's taste, aroma, and stimulative properties, or should it choose other factors?

LESSON 27:
INTRODUCTION TO CULTURE

Introduction

One thing that we have in common is that we are all consumers. In fact, everybody in this world is a consumer. Everyday of our life we are buying and consuming an incredible variety of goods and services. However, we all have different tastes, likes and dislikes and adopt different behaviour patterns while making purchase decisions. Many factors affect how we, as individuals and as societies, live, buy, and consume. External influences such as culture, ethnicity, and social class influence how individual consumers buy and use products, and help explain how groups of consumers behave. The study of culture encompasses al aspects of a society such as its religion, knowledge, language, laws, customs, traditions, music, art, technology, work patterns, products, etc. All these factors make up the unique, distinct personality of each society.

Culture is an extremely critical and all pervasive influence in our life.

"It is a mould in which we are all cast, and it controls our daily lives in many unsuspected ways". (Edward T. Hall –The Silent Language).

The impact of culture on society is so natural and so ingrained that its influence on behaviour is rarely noted.

IN this introductory lesson on Culture, we are going to learn about the meaning and nature of culture. We are also going to deal on how to measure culture.

Objectives

After studying this lesson, you should be able to:

*   Define culture
*   Identify the various influences on culture
*   Explain the various methods used for measuring Culture.

1. Meaning of Culture

For the purpose of studying consumer behaviour, culture can be defined as the sum total of learned beliefs, values and customs that serve to guide and direct the consumer behaviour of all members of that society.

Howard and Sheth have defined culture as "A selective, manmade way of responding to experience, a set of behavioral pattern". Thus, culture consists of traditional ideas and in particular the values, which are attached to these ideas. It includes knowledge, belief, art, morale, law, customs and all other habits acquired by man as a member of society. An accepted concept about culture is that includes a set of learned beliefs, values, attitudes, habits and forms of behaviour that are shared by a society and are transmitted from generation to generation within that society.

We can also put as

Culture refers to the set of values, ideas, and attitudes that are accepted by a homogenous group of people and transmitted to the next generation.

Or the sum total of ways of living built up by a group of human beings

Two terms that are associated with culture are:

*   Enculturation–Learning about one's own culture
*   Acculturation–Learning about a new culture
*   Individuals learn values, norms, rituals and myths
    *   E.g. gift giving at Christmas and Chinese New Year.

Culture is learned through the following three ways:

1. Formal learning: parents and elders teach children the proper way to behave. For instance, you have been taught that you need to study to be successful and happy in life. This learning may influence your response both as a student and individual towards education.

2. Informal learning: we learn by imitating the behaviour of our parents, friends, or by watching TV and film actors in action

3. Technical learning: instructions are given about the specific method by which certain things to done such as painting, dancing, singing etc.

Fig 10.1 Influences on Culture

From figure 10.1 above, we see that culture can be graphically represented, influenced. Influences from various institutions and elements of society, such as Education, politics, religion etc. combine in complex ways, which will give rise to the resultant culture and customs and this in turn can be seen in our attitudes and behaviour

2. Characteristics of Culture

- Culture is learned.
- Culture regulates society –Norms, standards of behaviour, rewards and punishments.
- Culture makes life more efficient
  - All members follow same norms.
- Culture is adaptive.
- Culture is environmental.
- Multiple cultures are nested hierarchically.

Culture also determines what is acceptable with product advertising. Culture determines what people wear, eat, reside and travel. Cultural values in India are good health, education, respect for age and seniority. But in our culture today, time scarcity is a growing problem, which implies a change in meals.

Some changes in our culture:

1. **Convenience**: as more and more women are joining the work force there is an increasing demand for products that help lighten and relieve the daily household chores, and make life more convenient. This is reflected in the soaring sale of Washing machines, microwaves, Pressure cookers, Mixer-grinders, food processors, frozen food etc.

2. **Education**: People in our society today wish to acquire relevant education and skills that would help improve their career prospects. This is evident from the fact that so many professional, career oriented educational centers are coming up, and still they cannot seem to meet the demand. As a specific instance count the number of institutions offering courses and training in computers that have opened in your city.

3. **Physical appearance**: Today, physical fitness, good health and smart appearance are on premium today. Slimming centers and beauty parlours are mushrooming in all major cities of the country. Cosmetics for both women and men are being sold in increasing numbers. Even exclusive shops are retailing designer clothes.

4. **Materialism**: There is a very definite shift in the people's cultural value from spiritualism towards materialism. We

are spending more money than ever before on acquiring products such as air-conditioners, cars CD players etc, which adds to our physical comfort as well as status.

Types of Culture

- National culture
  - The culture prevalent in a nation, common to everyone
- Popular culture
  - The culture of the masses with norms of mass appeal
- Subculture
  - The culture of a group within the larger society
  - Group identification based on nationality of origin, race, region, age, religion, gender, etc.
- Corporate culture
  - The company's values, rituals, customs, myths and heroes

Hofstede's Five Dimensions of Culture

Culture has a profound impact on the way consumers perceive themselves, products they buy and use, purchasing processes, and the organisations from which they purchase. Marketers, however, are giving more attention, to understanding macro cultures and how they affect consumer behaviour. Hofstede found five dimensions of culture that are common among 66 countries. These dimensions serve as a foundation for characterizing, comparing and contrasting specific national cultures, and they are helpful in identifying environmentally sensitive segments of the market.

1 Individualism versus collectivism

- Pursuit of self- or group interest

Individualism describes the relationship between an individual and fellow individuals, or the collectivity that prevails in society. Figure 10.1 below depicts the attitudinal and behavioural differences associated with individualism and collectivism.

	INDIVIDUALISM (e.g., United states, Australia, Canada etc)	COLLECTIVISM (e.g., Hong Kong, Japan, India)
Self construal	Defined by internal attributes, personal traits	Defined by important others, family and friends
Role of others	Self-evaluation e.g., standards of social comparison, sources of appraisal regarding self.	Self-definition e.g., relationships with others define self and affect personal preferences.
Values	Emphasis on separateness, individuality	Emphasis on connectedness, relationships
Motivational drives	Focus differentiation, relatively greater need to unique	Focus on similarity, relatively greater need to blend in
Behaviour	Reflective of personal preferences and needs	Influenced by preferences, needs of close others

Fig 10.1 Individualism versus Collectivism

2 Power distance

- Social inequality and submission to authority

Power distance reflects the degree to which a society accepts inequality in power at different levels in organisations and institutions. It can affect preferences for centralization of authority, acceptance of differential rewards, and the ways people of unequal status work together.

3 Uncertainty avoidance

- Tolerance/avoidance of ambiguity

Uncertainty avoidance concerns the different ways in which societies react to the uncertainties and ambiguities inherent in life. Some societies need well-defined rules or rituals to guide behaviour, whereas others are tolerant of deviant ideas and behaviour.

4 Masculinity/femininity

- Segregation and superiority of male and female roles in society

This factor determines the extent to which societies hold values traditionally regarded as predominantly masculine or feminine. For instance, assertiveness, respect for achievement, and the acquisition of money and material possessions are identified with masculinity; and nurturing, concern for the environment, and championing the underdog are associated with a culture's femineity

5 Abstract versus associative thinking

- Creation of value in products based on cause/effect logic or association among events without a logical link

Activity 2

Select one of the dimensions of Culture Hofstede, and describe how it might be used in market segmentation

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The 'how' aspect of cultural influences

- How a culture's norms and values are manifested in its business practices:
  - Agreements based on negotiations/law or customs
  - Role of friendship •E.g. 'mates rates'
  - How relationships formed •E.g. over a round of golf
  - Timeliness and emphasis on promptness/deadlines
  - Personal space
  - Physical distance between people
  - Status consciousness•The 'right' person to negotiate
  - Acceptance of women as executives
  - Dress code •E.g. suit and tie
  - Influence of religious beliefs
  - Astrology•The influence of the stars on business

Culture effects what people buy, how they buy and when they buy.

The myth of homogenised global culture

- Local resistance to globalisation
  - Localism: adopting foreign goods with altered local meanings
  - Ethno genesis: the revival of ethnic identity
  - Neonationalism: renewed pride in national identity
- Hyper reality in globalisation
  - A sanitised version of reality
- Individualisation of the global
  - Adapting global, homogenised products to own individuality

4. Measurement of Culture

Since we have realized by now that culture is multifaceted, we also need to measure it. Certain techniques, which are popularly used to measure culture, are given below. Here I would like to mention that we have already studied most of these techniques in detail in Chapter 2 earlier in this course.

1. **Projective techniques:** These tests as we have studied earlier are helpful in assessing individual motivation and personality.

2. **Attitude measurement tests:** These tests are useful in determining beliefs and attitudes.

3. **Depth interviews and group discussions:** These methods can be used to discover the emerging cultural characteristics.

4. **Observation**: Through this method it is possible to gain valuable insights into the more obscure aspects of culture, which may not be amenable to direct questioning.

5. **Content analysis**: Content analysis focuses on the content of verbal, written, and pictorial communications like the copy or art composition of the ad itself. This technique uses an analysis of past and present media to know the culture changes. This analysis can be carried out on a cross-cultural basis also.

Activity 3

The Citrus growers of Kullu Ltd. is planning a promotional campaign to encourage the drinking of orange and grapefruit juice in situations in many consumers normally consume soft drinks. Using the relevant instrument, identify relevant cultural, consumption-specific, and product-specific values for an advertising campaign designed to increase the consumption of citrus juices?

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Key Terms

- Culture
- Formal Learning
- Informal Learning
- Technical learning
- Adaptive
- Materialism
- Individualism Vs. Collectivism
- Power Distance
- Uncertainty Avoidance
- Masculinity/Feminity
- Abstract/Associative thinking
- Homogenized global culture
- Measurement of Culture
- Projective Techniques
- Attitude measurement tests
- Depth Interviews
- Group discussions
- Observation
- Content analysis

Culture

The Brand God

> *Brands are so all-pervasive in our lives that they can engender weariness and hatred towards branding. Temper brand building with social consciousness.*

THINK of an all-pervasive influence in our modern day lives. Think of an influence that is there all around us, all the time. Omnipresent! Think of an influence that is very strong in its appeal and seduction. Omnipotent! Think of an influence that goes well beyond the physical and right into our contemporary commercial psyche. Omniscient!

Wonder "What it is? What it is?" as the now omnipresent buzzword of a Maska Chaska goes? Very simply and pointedly, all roads lead to the brand. The brand in contemporary modern life is all of it. Omnipresent, omnipotent and indeed, omni-scient!

The last time I came across these three big Os was when I last spoke of God. How then is the brand different from God?

The cheeky answer: God doesn't think he is a brand!

The brand therefore appropriates for itself in our modern day lives a very significant role. A role that invades our lives both on the physical and the non-physical planes. A role that appropri-ates for itself the significant influence of a friend, philosopher and guide as well!

The brand and its influence on pop culture of the day is well known and well documented in the advanced nations of the world such as the US, Germany and many parts of continental Europe. These are nations where the brand has been around for several generations. Successive generations of Americans have grown up from first toddle to final tipple on a staple diet of

Quaker Oats on their breakfast tables and Quaker Oats in every part of their culture. These are folks who have been exposed to the intrusive influence of brands in every step of their lives. These are folks who miss brands dearly when they are not around.

The influence of brands on sets of consumers varies across nations. Varies quite differently, largely as a function of time and the presence of the brand in the popular culture of the day. The longer the brand presence, and very surely deeper, is the influence of the brand on society at large.

The brand, therefore, starts as a thought that struggles to establish its prime notion. Kleenex is not a tissue. Kleenex helps you not to carry "a cold in your pocket". It is a hygiene replacement for a handkerchief. Disposable! Clean! Healthy!

Once the prime notion has been established, the brand strives to become part of popular culture. You can't step out without a Kleenex... or your cosmetic swipe, for your cold, for the dust around you in your daily life... and indeed for just about anything!

The brand that establishes its need and utility then strives to establish itself as the security blanket of a society that finds lots amiss in life without a brand to lean on. Kleenex becomes an emotional pillar to lean on.

Kleenex becomes part of your tears. Kleenex becomes a tear-wiper. Somebody (and not 'something') that is around you during your most emotional moments. Kleenex is a friend!

Brand influence, therefore, traverses a trajectory that leads right into the heart and hearth of the consumer.

Large tracts of the developed world are already in the grip of this influence. Remember, when this woman on a lonesome rocket to the moon was asked what she missed most, she didn't mention her dog, her home or her husband in that order. All she asked for was a bar of Mars! And Mars is a brand of chocolate! The brand is a friend. A companion. Someone, and not something, who doesn't let you down!

How far can this go? Where does it stop? And is this a straight line that goes on and on endlessly? Or is it a cyclical issue that will take society and its brand-besotted sets of consumers back to the age of the commodity?

My view: I'd pitch my hard-earned bucks on the cyclical format.

Watch out for brand exhaustion. A society that has grown up on brands, generation after generation, is going to tire very soon.

Tire of the hype, the hoopla and the all-pervasive influence of the inanimate. A society that has had heavy doses of the brand movement will rise and want to say 'No' to it somewhere down the line. With vehemence!

American society is already showing these signs. There is this nascent 'No-brand' movement out there. And this is not just Greenpeace with its anti- genetically-modified campaign. There are lots more.

The branded product is seen to pack less value than the un-branded. Branding and packaging are seen as two movements that cause unnecessary waste of resources. Resource leakage that

could get channelled into creative and purposeful activity instead!

Germany has its own sets of the 'No-brand' stores! Large parts of the consumer world have bought into the pop movement of Adbusters! The one community of like-minded folks who deface ads, celebrate an international 'No buy' day and indulge in brand bashing of every kind.

The brand movement of the world has an anti-brand movement as a foil. A movement that seeks to propagate restraint. A movement that seeks to ring the bell of caution on how far to go in the branding game, and when to stop!

Branding is therefore a tool and a movement to use with restraint and caution. Wanton enthusiasm of young brand managers out to capitalise on a consumer society and its consuming trends must therefore be governed by a careful injection of social need and indeed social responsibility.

The realm of corporate social responsibility therefore must include the plans you build for your brand of disposable diaper and dog collar alike!

Notes

LESSON 28:
SUBCULTURES AND CONSUMER BEHAVIOUR

Introduction

We are brought up to follow the beliefs, values, and customs of our society and to avoid behaviour that is judged "unacceptable" or considered to be taboo. In addition to segmenting in terms of cultural factors, marketers also segment overall societies into smaller subgroups or subcultures that consist of people who are similar in terms of their ethnic origin, their customs, and the ways they behave. These subcultures provide important marketing opportunities for astute marketing stategists.

So, now our discussion in this lesson on subcultures will be more focussed compared to the last lesson. Instead of examining the dominant beliefs, values, and customs that exist within an entire society, we will explore the marketing opportunities created by the existence of certain beliefs, values, and customs shared by members of specific sub cultural groups within a society.

These sub cultural divisions are based on a variety of sociocultural and demographic variables such as nationality, religion, geographic locality, race, age, sex, and even working status.

Objectives

After studying this lesson you should be able:

- Understand the concept of subcultures
- Identify the various types of subcultures and measure their impact on consumer behaviour

1. Subcultures

Culture can be divided into subcultures:

A sub-culture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own belief, values and customs that set them apart from other members of the same society.

Sub-culture categories are:

- Nationality: Indian, Sri-lanka, Pakistan
- Religion: Hinduism, Islam
- Race: Asian, black, white
- Age: young, middle aged, elderly
- Sex: Male, Female
- Occupation: Farmer, teacher, business
- Social class: upper, middle, lower
- Geographic regions: South India, North-eastern India

Let us now look at some of these aspects of subculture in greater details.

2. Regional, Ethnic, and Religious Influences on Consumer Behavior

I. Regional Influences

A. Regions within the Country

B. Regions Across the World

II. Ethnic Influences

A. Ethnic Groups Within the Country

B. Multicultural Marketing

C. Ethnic Groups Around the World

III. Religious Influences

The three major aspects of culture that have important effects on consumer behavior are regional, ethnic, and religious differences. Firstly, consumption patterns may differ in various regions of India and the world, and marketing strategy can sometimes be tailored specifically to these regions.

Secondly, our country has a number of different ethnic groups, and population trends will dramatically alter the demographic profile of the country in the next 50 years. Ethnicity

Ethnic origin refers to the genetic heritage group a person is born in

- Marketplace behaviour and marketer response
  - Vary mainstream marketing for ethnic markets
  - Pay attention to customs
  - Product adaptation
  - Use of multicultural models in advertising

This diverse population is described in terms of its distinct identity and language, strong family and religious orientation, solid work ethic, and youthfulness. The broad characteristics can influence consumption (e.g., brand loyalty and the desire for prestige products) and have important implications for product development, advertising, media targeting, promotions, and distribution.

Say for instance, in the United States, the African American population is described as urban, young, social, and religious. Black consumers value prestigious brands and are smart investigative shoppers. These patterns lead to important marketing implications. The very diverse Asian American subculture is described as young and having higher socioeconomic status, placing strong value on the family and the group, and being strongly brand loyal. In spite of its diversity, marketing strategies can be developed for this group.

Many marketers are now becoming multicultural in their marketing activities by trying to appeal to a variety of cultures at the same time. Although the diversity of the Indian melting pot may be unique, there are many important ethnic groups in other areas of the world. Finally, religious beliefs and values can influence consumer

Activity 1

Collect multilingual product literature of at least five products. What are the most commonly used languages in these?

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3. Personal Characteristics

All the factors that we studied were non-personal. Now let us look at few personal factors.

But what are personal factors?

Those characteristics customers possess as individuals, which could include:

- Biological and physiological features at birth
- Features that develop as a person grows which derive from biological heredity

Group versus individual traits

- Group traits include race, gender and age and are not unique to an individual but shared.
- Individual traits such as personality are unique to an individual.

Genes: the cards we are dealt at birth

Genetics –The biochemical heredity of an organism, specifically DNA

Biological Determinism

- Belief that biology determines behaviour e.g. DNA

Impact of genetic factors on customers

- Physiological differences e.g. height, weight
- Diseases and mental disorders e.g. diabetes
- Circadian rhythms: the daily cycle of activity
- Emotions and behaviour

E.g. emotional disorders

Nature versus nurture

- Those favouring nurture argue that behaviour is determined by a person's upbringing, family life, parental values, peer group influences, school and church.
- Those favouring nature credit genetic makeup for much of human behaviour.
    - Does birth order determine temperament and behaviour?

3. **Age, Gender, and Household Influences on Consumer Behavior**

I. **How Age Affects Consumer Behavior**

    A. Teens.

    B. Generation X

    C. Baby Boomers

    D. Fifty and Older

II. **How Gender Affects Consumer Behavior**

    A. Sex Roles Have Changed

    B. Differences in Acquisition and Consumption Behaviors

III. **How the Household Influences Consumer Behavior**

    A. Types of Households

    B. Changing Trends in Household Structure

IV. Roles That Household Members Play

    A. Roles of Spouses

    B. The Roles of Children

    C. Household Decision Making Versus Household Consumption Behavior

Age has a major influence on customer behaviour

- Chronological versus psychological age.

- Needs and wants vary with age

  - Lifetime revenue: estimated revenue over a customer's lifetime.

- Population age changes imply major shifts in markets and values/demand

  - E.g. ageing baby boomers.

Lets look at the four major age groups. Teens, who need to establish an identity, are the consumers of tomorrow and have an increasing influence on family decisions. The somewhat disillusioned Generation X consists of smart and cynical consumers who can easily see through obvious marketing attempts. Baby boomers grew up in a very dynamic and fast-changing world, and this has affected their values for individualism and freedom. The 50 and older segment can be divided into two groups-the young again and the gray market. Neither group likes to be thought of as old.

The affect of gender differences on consumer behavior is examined next. Sex roles are changing. Women are becoming more professional and independent, and men are becoming more sensitive and caring. Also, men and women can differ in terms of traits, information processing, decision styles, and consumption patterns. **Gender**

- Consistent throughout lifetime, influencing customer values and preferences

- Different consumption patterns and perceptions of consumption situations

  –E.g. the wedding ceremony

- Differences for business-to-business products and services

  –Also career paths, benefits and support services

Let us now focus on how households play a key role in consumer behavior.

The proportion of nontraditional households has increased due to factors such as

(1) later marriages,

(2) Cohabitation,

(3) Dual-career families,

(4) Increased divorce, and

(5) Fewer children.

Households also exert an important influence on acquisition and consumption patterns. First, household members can play different roles in the decision process (gatekeeper, influencer, decider, buyer, and user). Second, husbands and wives vary in their influence in the decision process, depending on the situation-husband-dominant, wife-dominant, autonomic, or syncratic

4. Psychographics: Values, Personality, and Lifestyles

We need to answer these questions regarding the role of psychographics in affecting consumer behaviour.

I. Values

    A. How Can Values Be Described?

    B. Which Values Characterize Western Culture?

    C. Why Do Values Change?

    D. What Affects Our Values?

    E. How Can Values Be Measured?

II. Personality

    A. How Has Personality Been Studied?

    B. Do Personality Characteristics Affect Consumer Behavior?

III. Lifestyles

IV. Psychographics: Combining Values, Personality, and Lifestyles

    A. Values and Lifestyle Survey

    B. Other Applied Psychographic Research

Values are enduring beliefs about things that are important. They are learned through the processes of socialization and acculturation. Our values exist in an organized value system, with some values being viewed as more important than others. Some are regarded as terminal values and reflect desired end states that guide behavior across many different situations. *Instrumental values are those needed to achieve these desired end states.* Domain-specific values are those that are relevant within a given sphere of activity. Western cultures tend to place a relatively high value on material goods, youth, the home, family and children, work and play, health, hedonism, and technology.

Marketers use tools like value segmentation to identify consumer groups with common values. Three methods for identifying value-based segments are discussed: inferring values based on the cultural milieu of the group, the means-end chain analysis, and questionnaires like the *Rokeach Value Survey and List of Values.*

Personality consists of the distinctive patterns of behaviors, tendencies, qualities, and personal dispositions that make people different from one another. Approaches to the study of personality include

(1) The psychoanalytic approach, which sees personality arising from unconscious internal struggles within the mind at key stages of development;

(2) Trait theories, which attempt to identify a set of personality characteristics that describe and differentiate individuals, such as introversion, extroversion, and stability;

(3) Phenomenological approaches, which propose that personality is shaped by an individual's interpretation of life events

(4) Social-psychological theories, which focus on how individuals act in social situations (e.g., compliant, detached, or aggressive); and

(5) Behavioral approaches, which view an individual's personality in terms of past rewards and punishments.

Marketers also measure lifestyles, which are patterns of behavior (or activities, interests, and opinions). These lifestyles can provide some additional insight into consumers' consumption patterns. Finally, some marketing researchers use Psychographic techniques that involve all of these factors to predict consumer behavior. One of the most well known Psychographic tools is the Values and Lifestyle Survey (VALS). The newer VALS2 identifies eight segments of consumers who are similar in their resources and self-orientations.

Activity 2

1a. How should marketers promote products and services to working women? What appeals should they use? Explain.

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Key Terms

- Subcultures
- Regional Influences
- Ethnic Influences
- Religious Influences
- Group Traits
- Individual traits
- Psychographics
- Lifestyles

Article #1

Creating A Holistic Brand Experience

Involving a company's internal stakeholders in the process of brand development or brand repositioning can help create a more holistic brand experience - one that resonates better with the target market.

Rasna, a strong brand that was relaunched recently

IT SEEMS to be that time of the year when companies are aiming to position, or reposition, brands. Readers would have seen reports in newspapers and business magazines about one company or another planning such an exercise. Much has been written about how conducting qualitative research with target consumers, getting their input on current brand associations, potential for brand differentiation, the level of brand resonance and so on are important for this delicately balanced process of brand development.

However, little has been written about the value of gaining the same inputs and perspectives from internal stakeholders — especially the management and employees of the organization — who should be integral to, if not the most tangible manifestations of, a holistic brand experience. In fact, for a number of reasons, obtaining qualitative inputs from internal audiences can be critical to inventing or reinventing the brand, whether it is done via one-on-one interviews, focus groups or some other research vehicle.

Perhaps one of the more obvious reasons is to gain a 360-degree picture of the brand; that is, to understand more of the dimensions of the current brand, whether they are positive, negative or neutral. For example, a nationally ranked management institute that offers an MBA program, interested in improving its ranking, recently began taking steps to reposition its brand. The process included conducting focus groups and one-on-one interviews with six groups of internal and external stakeholders. A key reason why the organization chose to include internal audiences in the qualitative research process was to "allow for thoroughness and to understand the brand from a variety of angles. We needed to have full opinions and hear the good with the bad," says the director of the institute.

A brand's heritage — those attributes associated with its history, philosophy and the reason for its existence — is one of its key dimensions, most likely instilled by the brand's founders. Internal audiences can have invaluable insights into the brand's history and probably understand that history's importance better than most stakeholder audiences. If they can share their understanding of a brand's heritage, it may help re-establish brand continuity, connecting the brand's future positioning to its roots and the facets that made it successful and enduring in the first place. Balancing that heritage against new brand positioning opportunities gleaned from external audiences or other stakeholders is tricky, yet essential.

Doing qualitative research among internal audiences also helps determine where patterns and diverging opinions exist between internal and external audiences, which can help the marketing team formulate the brand hypothesis and identify subsequent research areas.

And when individuals from a variety of function areas or product lines that have brand contact are included in the qualitative research, the employee audience's diversity helps ensure that marketers have tapped a greater number of brand perspectives. Their feedback can be particularly helpful to marketers trying to ascertain whether the organisation's (or internal) 'truth' about the brand matches the market's (or external) 'truth' about the brand, why these truths may differ, and how they are shaped within the organisation.

For the management institute mentioned above, the most enlightening areas of the research "were the differences between the (internal audiences') opinions of the brand and what the students said," the institute director says. "There is a broad disparity between what an MBA (from this school) means to these two audiences," he adds.

In fact, different truths about the brand can exist even within internal audiences. For the MBA program, "with the staff, there's a difference in opinion in how they all affect delivery of the brand to the student audience," says the institute's director.

Understanding current brand perceptions and how they developed can help marketing teams change future brand perceptions by ensuring that a more cohesive view of the brand emerges. In instances where marketers are developing a completely new brand, internal audiences can provide valuable input to the corporate vision, brand vision, and the values with which the new brand should be aligned.

Furthermore, if the brand is to remain true to its values and become a meaningful experience for the customer or user, it should be aligned with the company's organizational culture. If employees are going to be able to act as brand ambassadors — if they are to believe in what the brand stands for enough to communicate the brand experience and help create the brand culture — then it makes sense to get input from these internal stakeholders.

In fact, employees can be an important source of new ideas for initiatives that can strengthen the overall brand experience, especially if the effort to tap those ideas involves all areas of the company, whether organized by function, product line or along some other lines. So, the same groups of internal stakeholders who can provide input to help drive brand positioning can also help identify key initiatives and efforts geared toward strengthening the brand from the inside out.

Of course, another important reason for canvassing internal opinion is perhaps more political, but still psychologically important: Doing so allows internal audiences to have a say in brand development and feel they have ownership in the resulting brand position.

Not only does getting input from managers and other employees make brand buy-in easier, but marketers can more quickly identify internal brand champions who can help gain consensus on the brand position. Employees might feel that participating in brand research is time-consuming, but once they understand that their input will influence the brand experience and ultimately their own experience, they will better appreciate its value. With input from internal audiences, marketers can be confident that the brand's attributes resonate better with its target market and with the organization behind the brand.

Points To Remember

Subcultures

A sub-culture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own belief, values and customs that set them apart from other members of the same society.

Sub-culture categories

o Nationality
o Religion
o Race
o Age
o Sex
o Occupation
o Social class
o Geographic regions

Age, Gender, and Household Influences

- **How Age Affects Consumer Behavior**
- **How Gender Affects Consumer Behavior**
- **How the Household Influences Consumer Behavior**
- **Roles That Household Members Play**

Regional, Ethnic, and Religious Influences

- **Regional Influences**
- **Ethnic Influences**
- **Religious Influences**

Psychographics: Values, Personality, and Lifestyles

- **Values**
- **Personality**
- **Lifestyles**
- **Psychographics: Combining Values, Personality, and Lifestyles**

LESSON 29:
CROSS-CULTURAL CONSUMER ANALYSIS

Introduction

With so much diversity present among the members of just one nation (as in India), we can easily appreciate that numerous larger differences may exist between citizens of different nations having different cultures, values, beliefs, and languages. If international marketers are to satisfy the needs of consumers in potentially very distinct markets effectively, they must understand the relevant similarities and differences that exist between the peoples of the countries they decide to target.

In this lesson we will be dealing with the understanding of cross-cultural consumer analysis and also its impact on Consumer behaviour.

Objectives

After studying this lesson you should be able to:

- Understand the concept of Cross-Cultural consumer analysis

- Explain the implications of Cross-cultural consumer analysis on consumer behaviour

- Explain the reasons for and importance of becoming multinational for the Indian Organisation.

- Discuss the importance of cross-cultural consumer analysis.

- Describe the process of acculturation.

- Outline alternative multinational strategies.

- Conduct an initial assessment of the multinational strategies used by corporations.

- Describe cross-cultural psychographic segmentation.

- Review the major marketing mistakes made by multinational corporations.

1. Cross Cultural Consumer Behaviour

Characteristic features of a firm going global:

1. High market share in the domestic market

2. Advantageous economies of scale

3. Access to marketing/manufacturing bases across global borders

4. Availability of resources and capability to absorb huge losses

5. Product/technology clout

6. Cost and differentiation advantages

Activity 1

1a. If you wanted to name a few product that would be acceptable to consumers throughout the world, what cultural factors would you be considering?

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1b. What factors might inhibit an attempt by Apple to position a new laptop computer as a "world brand"?

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Cross-cultural marketing is defined as "*the effort to determine to what extent the consumers of two or more nations are similar or different. This will facilitate marketers to understand the psychological, social and cultural aspects of foreign consumers they wish to target, so as to design effective marketing strategies for each of the specific national markets involved.*"

Cross cultural marketing Objectives and Policies

A company can enter a foreign market as a-

- Domestic exporter
- Foreign importer
- Foreign government-solicit the firm to sell abroad
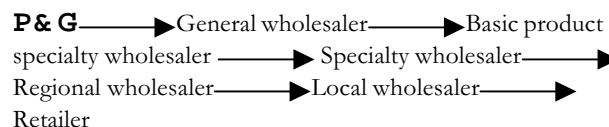
The firm's objectives could be:

- To determine how consumers in two or more societies are similar/different and devise suitable, appropriate strategies
- Devise individualized marketing strategy if cultural beliefs, values and customs of a specific country are different

Basic areas to be understood for cross cultural marketing

1. Language & meaning
2. Difference in market segmentation opportunities
3. Differences in the criteria for evaluating products and services: Apparel firms in India believe that that the quality of the fabric determines the quality of the garment whereas, the Japanese think that every aspect of the garment from sewing to packaging decides quality.
4. Differences in consumption pattern and perceived benefits of products and services: leather exports by India
5. Differences in the economic and cultural social condition and family structure: Social class differences have been useful in explaining differences in consumer behaviour in relation to (a) preferences for products and brands (b) store patronage or shopping behaviour (c0 exposure to promotion media and (d) savings and the use of the credit for purchasing products

Problems in Cross Cultural marketing

1. Problems related to product selection: The marketer going for cross cultural marketing has to select the customers/ market not on the basis of the superficial similarities of age or income, but by using the real motivating factors that prompt them to accept or reject products.
2. Problems related to promotion/marketing communication: e.g. Ariel in the middle east and also Pepsi
3. Problems related to pricing: the marketer has to adjust his pricing policies according to the local economic conditions and customs.
4. Problems related to selection of distribution channels: in Japan, P & G used this to sell soap

P& G———▶General wholesaler———▶Basic product
specialty wholesaler ———▶ Specialty wholesaler———▶
Regional wholesaler———▶Local wholesaler———▶
Retailer

Activity 2

Should Head & Shoulders be sold worldwide with the same formulation? In the same package? With the same advertising theme? Explain your answers.

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2. Cross-Cultural Consumer Analysis

To determine whether and how to enter a foreign market, we need to conduct some form of cross-cultural consumer analysis. Let us first define what is cross-cultural consumer analysis and then move ahead in knowing how to do it.

Cross-cultural consumer analysis can be defined as the effort to determine to what extent the consumers of two or more nations are similar or different. Such analysis can provide marketers with an understanding of the psychological, social, and cultural characteristics of the foreign consumers they wish to target, so that they can design effective marketing strategies for the specific national markets involved.

We will discuss of cross-cultural consumer analysis to comparisons of consumers of different countries.

2.1 Similarities and differences among people

A major objective of cross-cultural consumer analysis is to determine how consumers in two or more societies are similar and how they are different.

Japanese Culture Traits	American Culture traits
➢ Japanese language	➢ English language
➢ Homogenous	➢ Diverse
➢ Harmony to be valid and preserved	➢ Fight for one's beliefs/positions
➢ Group, not individual, important	➢ Individualistic
➢ Ambiguous	➢ Clear-cut
➢ General	➢ Specific
➢ Unspoken agreement	➢ Get the facts straight
➢ Hold back emotions in public	➢ Display emotions in public
➢ Process-oriented	➢ Result oriented
➢ Fun-oriented	➢ Humor oriented
➢ Make a long story short	➢ Make a short story long
➢ Nonverbal communication important	➢ Verbal communication important
➢ Interested in who is speaking	➢ Interested in what is spoken

Fig 10.1 Japanese and American cultural traits difference

Activity 3

Mercedes-Benz, a German car manufacturer, ids using cross-cultural psychographic segmentation to develop marketing campaigns for a new two-seater sports car directed at consumers in different countries. How should the company market the car in the United States? How should it market the car in India?

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2. Alternative Multinational Strategies

Some of us may argue as markets are becoming more and more similar, standardized marketing strategies are becoming more and more feasible. But, some more would argue back that differences between consumers of various nations are far too great to permit a standardized marketing strategy. Thus, practically speaking, we need to work out whether to use shared needs and values as a segmentation strategy or to use national borders as a segmentation strategy. Shared needs and values would mean to appeal to consumers in different countries in terms of their common needs, values, and goals. Using national borders as a segmentation strategy, on the other hand, would mean to use relatively different local, or specific marketing strategies for members of distinctive cultures or countries.

Product Strategy		
	Standardized Communications	**Localized Communications**
Standardized Product	**Global strategy:** Uniform product/ Uniform Message	**Mixed strategy:** Uniform Product/ Customized message
Localized Product	**Mixed Strategy:** Customized Product/ Uniform Message	**Local strategy:** Customized Product/ Customized Message

Fig 10.2 Alternative Global Marketing Strategies.

2.1 **Favoring a World Brand:** A lot of companies have created world brand products that are manufactured, packaged, and positioned in exactly the same way regardless of the country in which they are sold. For instance, Sony sells its Walkman in this fashion.

2.2 **Adaptive Global Marketing:** IN contrast to the above, some other organisations imbibes a strategy that adapts their advertising messages to the specific values of particular cultures. A very good example here would be that of McDonald's, which tries to localize its advertising to consumers in each of the cross-cultural markets in which it operates.

Frameworks for assessing multinational strategies

Multinational marketers face the challenge of creating marketing and advertising programs capable of communicating effectively with a diversity of target markets. To do a lot of frameworks have been developed to which marketing and advertising efforts should be either globalized or localized.

Factors	Description
Stage One	Local consumers have heard or read of a brand marketed elsewhere but cannot get it at home.
Stage two	Local consumers view a brand made elsewhere as "foreign, made in a particular country but locally available.
Stage three	Local consumers accord imported brand" national status"; that is, its national origin is known but does not affect their choice.
Stage Four	Brand owned by a foreign company is made either wholly or partly domestically and has come to be perceived by locals as a local brand; its foreign origins may be remembered but the brand has been "adopted".
Stage Five	Brand has lost national identity and consumers everywhere see it as "borderless" or global; not only can people not identify where it comes from but also they never ask this question.

Fig 10.3 Product recognition continuum

Activity 4

Based on the product recognition continuum given above, Identify two examples each for the various stages mentioned. Also justify the reasons on your choice of examples.

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Key Terms

- Cross-Cultural Consumer Behaviour
- Cross cultural marketing
- Global Strategy
- Mixed Strategy
- Local strategy
- World Brand
- Adaptive Global marketing

Article #1
PS and QS of Global Brands

> _Global marketers first need to draft a thorough brand strategy, then ensure consistency, while preserving the autonomy of local management._

An Indonesian shop stacked with Nestle products, a brand which has successfully transcended regional barriers.

The second and concluding part of this column focuses on more issues that marketers need to keep in mind when taking their brands global.

The Brand Offer

A LOGICAL brand offer should provide similar communication across all the countries. Long-term brand loyalty is akin to getting the consumer to marry a brand and requires that the marketer provide the same information one needs to decide upon marrying a person, i.e., information about the physical attributes, the style and the character of the brand.

Questions on physical attributes like how well the product performs and how competitive its price is may require some adaptation to local market conditions and culture: An American laundry detergent may not satisfy an Indian housewife, used to washing her laundry at near-boiling temperatures. Physical attraction is in great part determined by culture. Questions on style, like how the message on physical attributes is delivered, are even more rooted in culture. The British, whose ad culture grew from magazines, want hard facts. Indian culture is inclined to imagery and may resist hardsell. Other Asians are sensitive to symbolism, Americans to humour and so on. There is some truth in these generalities, even though the rules are often successfully broken.

The character of the communication is the key element of branding and the backbone of a global branding strategy. It requires an absolute consistency of purpose which one can only achieve by having at the outset a very clear idea of the set of values to be linked to the brand. A McDonald's commercial from the US, Germany, Brazil or Japan is readily recognised as one, even though it may have been produced locally, and by a different ad agency. It will consistently convey some or all of the values (service, friendliness, understanding of family life) which are attached to the company.

Global marketers need to first write a thorough and sustainable brand strategy which lists the character intended for the brand. Then they should set up an organisation which can tactfully direct, teach and evaluate the brand's communication to ensure consistency, while at the same time preserving the autonomy (and thereby the quality) of local management. A thorough understanding of the influence of brands is necessary while formulating a global branding strategy. Today's leading brands are personalities in their own right and are well known in all societies and cultures as film heroes, cartoon characters, sports stars or great leaders. In Asia, Coca-Cola, Sean Connery, Nestle, Sony, Batman, Mercedes and Michael Jackson are equally well known. Thousands of people relate to brand personalities in the same way as they do to human personalities. There is, of course, a psychological basis to this and the psychology behind brands really stems from Carl Jung's work where he described the four functions of the mind - thinking, sensation, feeling and intuition.

Tangible Benefits of Global Brand Building
Global brand building drastically reduces marketing invest- ments. A strong brand needs lower and lower levels of incremental investment to sustain itself over time. A new and unknown player will have to spend two to four times more than the market leader to achieve the same share of mind. Given the huge difference in business volumes, the pressure of the bottomline is much higher for an unestablished player.

Global brand building facilitates long range planning. The ability of the managers of Lever, Nestlé or even homegrown organisations such as Wipro, Hero or TVS to target and budget primary sales would be infinitely simpler than for someone responsible for a relatively unestablished brand in the global market.

Strong global brands always account for more stable businesses. Global brand building commands a premium. As long as there is a distinct value attached to your offering, the consumer will always be willing to pay more for it. That is the only reason why an unknown brand called Titan could command a substantial premium over HMT. That is the same reason why a brand such as BPL at a higher cost beat the stuffing out of companies such as Akai, Sony and Philips in the CTV wars.

Global brand building builds entry barriers. Human beings as a species love status quo. Therefore, a brand which is entrenched in the consumer's mind is very difficult to dislodge. If nothing else, the sheer inertia will override any cooing and wooing that the new entrant would make. This consequently implies stability of business and therefore stability of revenue.

Global brand building increases cash flow efficiency: Today, a Lever distributor leaves signed checkbooks with the company to be filled in on material dispatch. This is true for most global brands with strong franchises. Global brand building also increases value of the business due to the international presence. Phillip Morris bought Kraft from General Foods in 1991 for $13 billion. More than three times its book value. Coca-Cola paid $60 million to acquire Thums-Up from Parle. Neither buyer had any lacunae in manufacturing, finance or human resources. They merely bought business with very powerful brand equities and therefore paid more than the net worth of the businesses.

Strategic Implications
There is an assumption that the world is becoming homogenised; yet national and sub-regional cultures do exist. This makes global branding a tough challenge and one that is handled differently from organisation to organisation. Some companies pursue strategies based upon the identification of common elements among countries, whilst others find it more profitable to adapt and adjust according to specific conditions in various markets. There are five basic propositions that a global brand manager has to take note of while developing strategy at the global level.

Global Orientation at the Corporate Level
Many marketers operate in global markets with a strategy still rooted in the domestic market. The strategy needs to embrace the opportunities and the costs of working in multiple countries. The marketer has to look for his competitive advantage outside the country of origin. What will allow one to compete and win in a strange country? Are the product and the brand in particular needed in another culture? Only careful consideration of these questions will create the right platform for a global branding strategy.

A Global Management Team
Global management teams tend to reflect the environment in which they operate. They are made up of representatives of various cultures and backgrounds in their respective countries. As a result, this type of team is a challenge to manage. The work culture and pattern varies across countries. The key to building a global team is to have it start by working on something of substance together - to create and build a common vision of the future. That will globalise the company's strategy while establishing new working relationships across the globe.

The D.U.M.B. Test for Global Brand Potential
Global branding is not simply a marketing or advertising programme. It is a way of doing business that transcends the requirements of advertising and affects every aspect of the business enterprise. A brand is a very valuable commodity in any market - usually commanding a premium price and significant loyalty among its regular users due to the proposed promise of performance - one that is consistently delivered at a reasonable value and meets a perceived need among its consum- ers.

A simple test to see if the company has strong global brand potential is to see if the brand meets the D.U.M.B. test. Is the brand promise Demonstrable? Can consumers see the promise of performance in action? Is it Unique and different from locally available alternatives? Is the promise being made Meaningful? It doesn't help if the brand claims to offer something that isn't important to the local consumers. Is the promise Believable? If they don't buy the claim they won't buy the product.

Technology as Enabler

If the brand manager makes a bold promise of performance with his brand he must be able to deliver. That requires some 'enabling technology' that can carry the brand around the world. The enabling technology should be proprietary, have inherent barriers to direct competitive response, and be applicable to every market the brand enters. Identifying and deploying the enabling technology may be the single most challenging management task.

Adaptability to Local Markets

A consistent complaint of global management teams is that 'home market' management tends to ignore the unique characteristics of local markets. Successful global products often require targeting a product against a different consumer audience, using a significantly different manufacturing programme, or utilising different distribution channels. These decisions should be the province of the local manager, as long as the global brand and its enabling technology are not violated.

Social and cultural changes provide a favourable platform for global brands. The concept of cultural blockage is gone from the market. It is the global lifestyle, dissemination of information through Internet and more customisation of the brands to cater to the taste of the local customer that has made many multinational companies successful in different markets. The marketer cannot remain shy to this opening up of various economies to the global business order. What needs to be done for making a global brand a success is to have a global vision with an internationally transferable asset base and a global team to understand and operate in culturally divergent markets to reap the benefits of scale through strong value proposition and brand association.

The Imperative To Be Multinational

- Global Trade Agreements
  – EU
  – NAFTA
- Acquiring Exposure to Other Cultures
- Country-of-origin Effects

Country of Origin Effects: Negative and Positive

Many Chinese consumers consider Sony high-end and high-quality, but may refuse to buy due to animosity toward Japan
– High-animosity consumers own fewer Japanese products than low-animosity consumers

Cross-cultural marketing is defined as "*the effort to determine to what extent the consumers of two or more nations are similar or different. This will facilitate marketers to understand the psychological, social and cultural aspects of foreign consumers they wish to target, so as to design effective marketing strategies for each of the specific national markets involved.*"

Table 14.2 Some Comparisons

Chinese Cultural Traits

- Centered on Confucian doctrine
- Submissive to authority
- Ancestor worship
- Values a person's duty to family and state

American Cultural Traits

- Individual centered
- Emphasis on self-reliance
- Primary faith in rationalism
- Values individual personality

Issues in Cross-Cultural Consumer Analysis

- Similarities and Differences Among People
- Time Effects
- The Growing Global Middle Class
- Acculturation
  - Research Techniques

Acculturation	The learning of a new "foreign" culture.

Table 14.4 Basic Research Issues in Cross-Cultural Analysis

FACTORS	EXAMPLES
Differences in language and meaning	Words or concepts may not mean the same in two different countries.
Differences in market segmentation opportunities	The income, social class, age, and sex of target customers may differ dramatically in two different countries.
Differences in consumption patterns	Two countries may differ substantially in the level of consumption or use of products or services.
Differences in the perceived benefits of products and services	Two nations may use or consume the same product in very different ways.

Alternative Multinational Strategies: Global Versus Local

- Favoring a "World Brand"
- Adaptive Global Marketing
- Framework for Assessing Multinational Strategies
  - Global
  - Local
  - Mixed

Table 14.4 continued

FACTORS	EXAMPLES
Differences in the criteria for evaluating products and services	The benefits sought from a service may differ from country to country.
Differences in economic and social conditions and family structure	The "style" of family decision making may vary significantly from country to country.
Differences in marketing research and conditions	The types and quality of retail outlets and direct-mail lists may vary greatly among countries.
Differences in marketing research possibilities	The availability of professional consumer researchers may vary considerably from country to country.

World Brands	Products that are manufactured, packaged, and positioned the same way regardless of the country in which they are sold.

Table 14.6 A Framework for Alternative Global Marketing Strategies

PRODUCT STRATEGY	COMMUNICATION STRATEGY	
	STANDARDIZED COMMUNICATIONS	LOCALIZED COMMUNICATIONS
STANDARDIZED PRODUCT	Global strategy: Uniform Product/ Uniform Message	Mixed Strategy: Uniform Product/ Customized Message
LOCALIZED PRODUCT	Mixed strategy: Customized Product/ Uniform Message	Local Strategy: Customized Product/ Customized Message

Mistake Samples

- Snapple: Japanese consumers preferred clear, less sweet iced tea
- Oreos: Japanese consumers only wanted to eat the base - no cream.
- Ikea: American windows are taller than European windows.

Marketing Mistakes: A Failure to Understand Differences

- Product Problems
- Promotional Problems
- Pricing and Distribution Problems

Consider Color

- Meanings of Blue
  - Holland - warmth
  - Iran - death
  - Sweden - coldness
  - India - purity
- Meanings of Yellow
  - U.S. - warmth
  - France - fidelity

LESSON 30:
TUTORIAL

1. Discuss the importance of subcultures in segmenting the Indian market for food products. Divide India into four regions comprising North, South, West and East and then proceed further

2a. Summarize an episode of a weekly television series that you watched recently. Describe how the program transmitted cultural beliefs, values, and customs.

2b. Select and describe three commercials that were broadcast during the program mentioned in the previous question. Do these commercials create or reflect cultural values? Explain you answers.

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3. Using one of the subculture categories that you have studied in the lesson, identify a group that can be regarded as a subculture within your university or college.

a. Describe the norms, values, and behaviours of the subculture's members.

b. Interview five members of that subculture regarding attitudes towards the use of credit cards.

c. What are the implications of your findings marketing credit cards to the group you selected?

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Introduction

In this lesson we deal with an issue of considerable importance to consumers and marketers alike- the informal influence that others have on consumers' behaviour and the dynamic processes that impact consumers' behaviour. We will examine the nature and dynamics of the influence that friends, neighbors, and the acquaintances have on our-consumer related decisions. This influence is often called word-of-mouth communications or *the opinion leadership process*. We also consider the personality and motivations of those who influence, i.e., opinion leaders and those who are influenced, i.e., opinion receivers. We will also bring out a profile of Opinion leader and also identify situations where there is overlap of opinion and also the frequency of overlap.

Objectives

After studying this lesson you should be able to

• Understand the meaning of Opinion leadership

• Differentiate opinion leaders and opinion seekers

• Bring out the profile of an Opinion Leader

• Understand the situation of a overlap of Opinion

1. What is opinion Leadership?

Opinion Leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients.

The definition of opinion leadership emphasizes on informal influence. This informal flow of opinion related influence between two or more people is referred to as word-of-mouth *communication..*
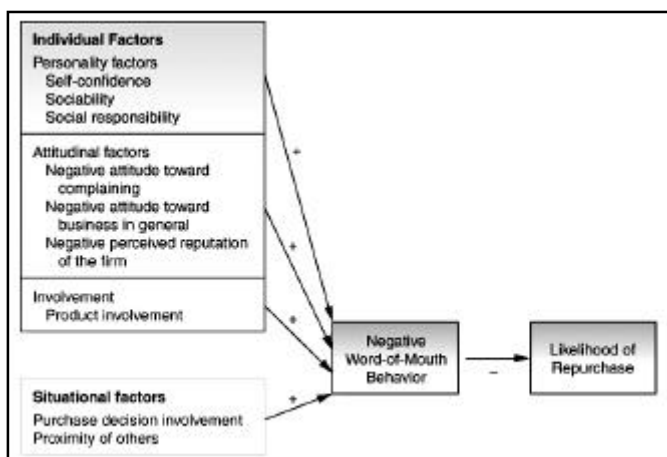
You would have observed that one of the parties in a word-of-mouth encounter usually offers advice or information about a product or service, such as which of several brands is best, or how a particular product may be used.

This person is the **opinion leader** and may become an **opinion receiver**.

Individuals who actively seek information and advice about products are often called **opinion seekers**.

These opinion leaders are very often a part of the social groups and also have social communication network. The biggest advantage of the informal word -of-mouth communication is that it is informal and interpersonal in nature and this takes place between people who are not directly associated with the commercial selling source or the firm. Very often, we can see that the formal word-of-mouth communication is more influential than mass advertising in determining which *product* or brand is bought. The word-of-mouth communication can either be a face-to-face communication or *over the telephone communication.*

	HEDONIC BENEFITS	FUNCTIONAL BENEFITS
RECEIVER	• Decrease risk of new behaviour • Increase confidence of choice • Decreased cognitive dissonance • Increase likelihood of acceptance by a desired group or individual	• More information about options • More credible/reliable information • Less time spent on search • Enhanced relationship with another individual
SENDER	• Feeling of power and prestige of influencing others' behaviours • Enhanced position within a group • Decreased doubt about one's own behaviours	• Potential reciprocity of exchange • Increased attention and status • Increase in number of individuals with similar behaviours • Increased cohesion within group • Satisfaction of verbal expression

Fig 31.1 Benefits of word-of-mouth

Activity 1

1a. Why is an opinion leader a more credible source of product information than an advertisement for the same product?

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Now, usually, in a word-of-mouth situation, we must have one party, which offers advice, or information about a product or service such as which of several brands is best. This person is the opinion leader. But, this person may become an opinion receiver when another product or service is brought up as part of the discussion.

So, we can say that Individuals who seek information and advice about products sometimes are opinion seekers.

OPINION LEADERS	OPINION RECIEVERS
Self-Improvement Motivations • Reduce post purchase uncertainty or dissonance • Gain attention or status • Assert superiority and expertise • Feel like an adventurer • Experience the power of "Converting" others	• Reduce the risk of making a purchase commitment • Reduce research time
Product-Involvement Motivations • Express satisfaction or dissatisfaction with a product or service	• Learn how to use or consume a product • Learn what products are new in the marketplace
Social Involvement Motivations • Express neighborliness and friendship by discussing products or services that may be useful to others	• Buy products that have the approval of others, thereby ensuring acceptance
Message Involvement Motivations • Express one's reaction to a stimulating advertisement by telling others about it	

Fig 31.2 Motivations of Opinion Leaders and Opinion Receivers

Activity 2

Describe two situations in which you served as an opinion leader and two situations in which you sought consumption related advice/information from an opinion leader. Indicate your relationship to the person's with which you interacted. Are the circumstances during which you engaged in word-of-mouth communications consistent with those in the material that we studied? Explain.

Measurement of Opinion Leadership

What methods or techniques can we use to measure opinion leadership?

There are four popular methods to measure opinion leadership:

a)   The self-designating method.

b)   The sociometric method.

c)   The key informant method.

d)   The objective method.

Let me explain each of the methods in greater details:

In the **self-designating method**, respondents are asked to evaluate the extent to which they have provided others with information about a product category or specific brand or have otherwise influenced the purchase decisions of others.

The self-designating technique is used more often than other methods for measuring opinion leadership because consumer researchers find it easy to include in market research questionnaires.

Because this method relies on the respondent's self-evaluation, however, it may be open to bias.

The **sociometric method** measures the person-to-person informal communication of consumers concerning products or product categories.

In this method, Respondents are asked to identify:

i)   The specific individuals (if any) to whom they provided advice or information about the product or brand under study.

ii)   The specific individuals (if any) who provided them with advice or information about the product or brand under study.

Individuals designated by the primary respondent are tentatively classified as opinion leaders.

Any intact community provides an opportunity to measure and evaluate the flow of word-of-mouth communications concerning a new product and its subsequent impact on product trial.

A **key informant** is a person who is keenly aware or knowledgeable about the nature of social communications among members of a specific group.

The key informant is asked to identify those individuals in the group who are most likely to be opinion leaders.

The key informant does not have to be a member of the group under study.

This research method is relatively inexpensive, because it requires that only one individual or at most several individuals be intensively interviewed, whereas the self-designating and sociometric methods require that a consumer sample or entire community be interviewed.

The key informant method, however, is generally not used by marketers because of the difficulties inherent in identifying an individual who can objectively identify opinion leaders in a relevant consumer group.

The key informant method would seem to be of greatest potential use in the study of industrial or institutional opinion leadership.

The **objective method** is much like a "controlled experiment"—it involves placing new products or new product information with selected individuals and then tracing the resulting "Web" of interpersonal communication concerning the relevant product(s).

2. Characteristics of Opinion Leaders

Let us now take a look at the main characteristics of opinion leaders. Some of the main features that all opinion leaders have are:

1.   **Opinion leaders are perceived to be highly credible sources of product related information.** Opinion leaders are persons who are considered to be knowledgeable. They often voice their opinion based on first hand information.

2.   **Opinion leaders are gregarious people and also have a lot of experience:** Their experience as a shopper and user sets them apart from other people. Since most of their advice is based on first hand experience, opinion receivers have a lot of confidence in their advice. Besides, because of their gregarious nature, people enjoy interacting with them.

3.   **Opinion leaders usually provide unbiased information, that is they provide both favourable and unfavorable information to the opinion seekers:** This adds credibility to them and opinion seekers have faith that they are receiving correct information.

4.   **Opinion leaders are both sources of information and advice**

5.   **Opinion leaders have got greater exposure to the media, especially in their area of leadership**

6.   **Opinion leaders tend to be consumer innovators**

7.   **Opinion leaders have got some personal product specific characteristics like personality traits, social status and demographic characteristics**

3. A profile of Opinion Leaders

Now who can be a opinion leaders. So we need to study a profile of opinion leader so that we can identify them.

As you can understand, it would be a very difficult job to exactly identify, a profile for that matter, but we have tried to have a generalized profile as shown in figure 11.1

General attributes across product categories	Category specific attributes
Innovativeness	Interest
Willingness to talk	Knowledge
Self-Confidence	Special-interest media exposure
Gregariousness	Same age
Cognitive differentiation	Same social status
	Social exposure outside group

Fig 31.3 Profile of Opinion Leaders

Activity 3

a. Name some of the potential candidates to be considered as celebrities for promoting the following products/services and concepts:

    i.   Headache remedy

    ii.   Soft drink

    iii. Baby food

    iv. Woman's magazine

    v.   Sneakers

    vi. Web portal

    vii. Bank

    viii. Courier service

    ix. Health clinic

    x.   Airline service

b. What are your reasons for selecting these celebrities?

1. Frequency and Overlap of Opinion

Often we can see that more than half of the people studied in any consumer research project are classified as opinion leaders with respect to some self-selected product category. The frequency of consumer opinion leadership suggests that people are sufficiently interested in at least one product or product category to talk about it and give advice concerning it to others.

Here we have a very interesting question.

Do opinion leaders in one category in one category tend to be opinion leaders in another category also?

And, market research suggests the existence of a special category of opinion leaders, *the market maven.* These are the consumers who possess a wide range of information about many different types of products, retail outlets, and other dimensions of markets.

Let us discuss and find out more about market mavens.

Some important characteristics associated with market maven are:

a) They both initiate discussions with other consumers and respond to requests for market information.

b) Although they appear to fit the profile of opinion leaders in that they have high levels of brand awareness and tend to try more brands, unlike opinion leaders their influence extends beyond the realm of high-involvement products.

c) Market mavens are also distinguishable from other opinion leaders because their influence stems not so much from product experience but from a more general knowledge or *market expertise* that leads them to an early awareness of a wide array of new products and services.

Activity 4

True/False Questions

1. Opinion leadership and word of mouth communications are very different.

2. Once an opinion leader, always an opinion leader, in any other product category.

3. An opinion leader may be an opinion seeker in another product category at the same time.

4. Opinion leadership only takes place in a face-to-face setting.

5. Opinion leaders never gain anything from dispensing advice.

6. Opinion leaders only dispense positive product information

7. Opinion leaders are more likely to dispense positive product information.

8. Opinion leaders only dispense information but do not give advice.

9. Opinion leadership is brand specific.

10. An opinion leader may become one in order to reduce any post purchase dissonance they might be feeling.

11. The most popular measurement method of opinion leadership is the self-designating method.

12. Opinion leaders usually belong to the same age group as their opinion receivers.

The Interpersonal Flow of Communication

You might have observed that ideas often flow from radio and print media to opinion leaders and from them to the general public.

This is the concept behind the two-step flow of communication

This so-called *two-step flow of communication theory* portrays opinion leaders as direct receivers of information from impersonal mass-media sources, which in turn transmit (and interpret) this information to the masses.

This theory views the opinion leader as a middleman between the impersonal mass media and the majority of society.

The illustration can be as seen below:
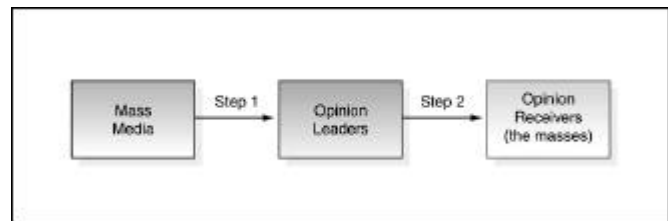
Multistep Flow of Communication Theory

A more comprehensive model of the interpersonal flow of communication depicts the transmission of information from the media as a Multistep flow.

The revised model takes into account the fact that information and influence often are two-way processes in which opinion leaders both influence and are influenced by opinion receivers.

The figure below presents an illustration of the *multi-step flow of communication theory*.
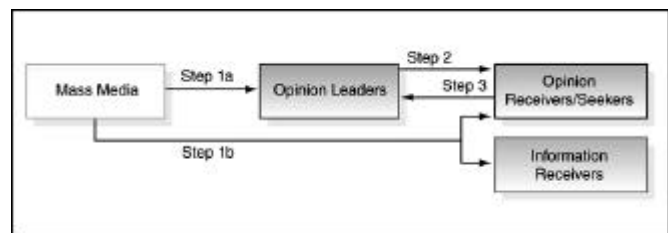
Opinion Leadership and the Firm's Marketing Strategy

At the end let us see how opinion leadership affects an organization's marketing strategy!

Marketers have long been aware of the power that opinion leadership exerts on consumers' preferences and actual purchase behavior.

Many marketers look for an opportunity to encourage word-of-mouth communications and other favorable informal conversations.

New product designers take advantage of the effectiveness of word-of-mouth communication by deliberately designing products to have word-of-mouth potential.

A new product should give customers something to talk about.

Proof of the power of word-of-mouth is the cases in which critics hate a movie and the viewing public like it and tell their friends.

In instances where informal word of mouth does not spontaneously emerge from the uniqueness of the product or its marketing strategy, some marketers have deliberately attempted to stimulate or to simulate opinion leadership.

Programs Designed to Stimulate Opinion Leadership

Advertising and promotional programs designed to persuade consumers to "tell your friends how much you like our product" are one way in which marketers encourage consumer discussions of their products or services.

The objective of a promotional strategy of stimulation is to run advertisements or a direct marketing program that is sufficiently interesting and informative to provoke consumers into discussing the benefits of the product with others.

Advertisements Simulating Opinion Leadership

A firm's advertisements can also be designed to simulate product discussions by portraying people in the act of informal communication.

Word-of-Mouth May Be Uncontrollable

Informal communication is difficult to control.

Negative comments, frequently in the form of rumors that are untrue, can sweep through the marketplace to the detriment of a product.

Indeed, a study by the White House Office of Consumer Affairs found that 90 percent or more of unhappy customers would not do business again with the company that is the source of their dissatisfaction.

Each dissatisfied customer will share his or her grievance with at least nine other people, and 13 percent of unhappy customers will tell more than 20 people about the negative experience.

Some common rumor themes are:

The product was produced under unsanitary conditions.

The product contained an unwholesome or culturally unacceptable ingredient.

The product functioned as an undesirable depressant or stimulant.

The product included a cancer-causing element or agent.

The firm was owned or influenced by an unfriendly or misguided foreign country, governmental agency, or religious cult.

Some marketers have used toll-free telephone numbers in an attempt to head off negative word-of-mouth, displaying an 800 number prominently on their products' labels.

A particularly challenging form of "negative" word-of-mouth can be generated today over the Internet, when a dissatisfied consumer decides to post his or her story on a bulletin board for all to see.

Creation of Opinion Leaders

Marketing strategists agree that promotional efforts would be significantly improved if they could segment their markets into opinion leaders and opinion receivers.

In fact, many a times it might be more fruitful to "create" product-specific opinion leaders.

Key Terms

- Opinion Leader
- Opinion Leadership
- Opinion receiver
- Opinion seeker
- Two-step flow of communication theory
- Multistep flow of communication
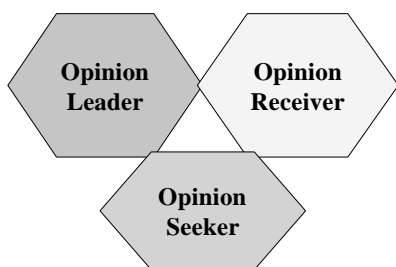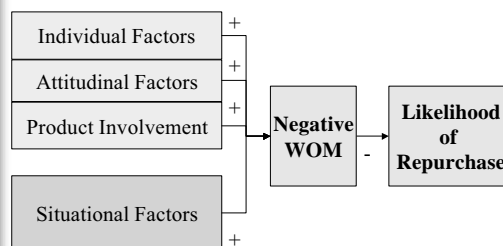- Market mavens

Points To Remember

Opinion Leadership	The process by which one person (the *opinion leader*) informally influences the consumption actions or attitudes of others who may be *opinion seekers* or *opinion recipients*.

What is Opinion Leadership?

- Opinion Leader
- Opinion Receiver
- Opinion Seeker
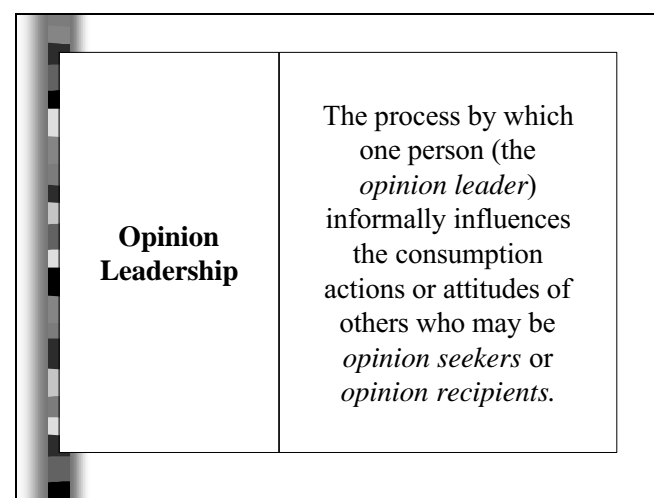
Figure 15.1 Factors Leading to Negative Word-of-Mouth Behavior

Individual Factors	+		
Attitudinal Factors	+	Negative WOM	Likelihood of Repurchase
Product Involvement	+		
Situational Factors	+		

Negative WOM → - → Likelihood of Repurchase

Reasons for the Effectiveness of Opinion Leadership

- Credibility
- Positive and Negative Product Information
- Information and Advice
- Opinion Leadership Is Category-Specific
- Opinion Leadership Is a Two-way Street

Motivations Behind Opinion Leadership

- The Needs of Opinion Leaders
- The Needs of Opinion Receivers
- Purchase Pals
- Surrogate Buyers versus Opinion Leaders

The Needs of Opinion Leaders

- Self involvement
- Social involvement
- Product involvement
- Message involvement

Table 15.3 A Comparison of Motivations (Excerpts)

OPINION LEADERS	OPINION RECEIVERS
SELF-IMPROVEMENT MOTIVATIONS • Reduce post-purchase uncertainty or dissonance • Gain attention or status • Assert superiority and expertise • Feel like an adventurer	• Reduce the risk of making a purchase commitment • Reduce search time
PRODUCT-INVOLVEMENT MOTIVATIONS • Express satisfaction or dissatisfaction with a product or service • Learn what products are new in the marketplace	• Learn how to use or consume a product

The Needs of Opinion Receivers

- New-product or new usage information
- Reduction of perceived risk
- Reduction of search time
- Receiving the approval of the opinion leader

Measurement of Opinion Leadership

- Self-Designating Method
- Sociometric Method
- Key Informant Method
- Objective Method

Table 15.5 Measuring Opinion Leadership

OPINION LEADERSHIP MEASUREMENT METHOD	DESCRIPTION OF METHOD	SAMPLE QUESTIONS ASKED
SELF-DESIGNATING METHOD	Each respondent is asked a series of questions to determine the degree to which he or she perceives himself or herself to be an opinion leader.	"Do you influence other people in their selection of products?"
SOCIOMETRIC METHOD	Members of a social system are asked to identify to whom they give advice and to whom they go for advice.	"Whom do you ask?""Who asks you for info about that product category?"

Table 15.6 Profile of Opinion Leaders

GENERALIZED ATTRIBUTES ACROSS PRODUCT CATEGORIES	CATEGORY-SPECIFIC ATTRIBUTES
Innovativeness Willingness to talk Self-confidence Gregariousness Cognitive differentiation	Interest Knowledge Special-interest media exposure Same age Same social status Social exposure outside group

Table 15.5 continued

OPINION LEADERSHIP MEASUREMENT METHOD	DESCRIPTION OF METHOD	SAMPLE QUESTIONS ASKED
KEY INFORMANT METHOD	Carefully selected key informants in a social system are asked to designate opinion leaders.	"Who are the most influential people in the group?"
OBJECTIVE METHOD	Artificially places individuals in a position to act as opinion leaders and measures results of their efforts.	"Have you tried the product?"

Market Maven	Individuals whose influence stems from a general knowledge or market expertise that leads to an early awareness of new products and services.

The Interpersonal Flow of Communication

- Two-Step Flow
  - A communication model that portrays opinion leaders as direct receivers of information from mass media sources who, in turn, interpret and transmit this information.
- Multistep Flow
  - A revision of the traditional two-step theory that shows multiple communication flows

Figure 15.5 Multistep Flow of Communication Theory
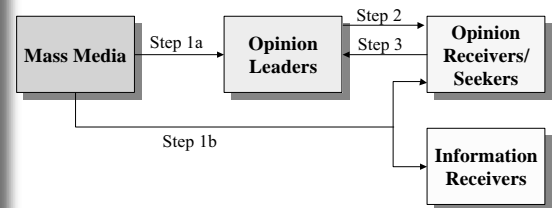
Figure 15.4 Two-Step Flow of Communication Theory

Issues In Opinion Leadership and Marketing Strategy

- Programs Designed to Stimulate Opinion Leadership
- Advertisements Stimulating Opinion Leadership
- Word of Mouth May Be Uncontrollable
- Creation of Opinion Leaders

LESSON 32:
DIFFUSION PROCESS

Introduction

We as consumers always find a new innovation-idea or product or even new service attractive. However, for the firm which is trying its hand at the new innovation, there is always a question hanging around 'How fast will the diffusion of the innovation take place?" This is to say that any innovation has got an element of risk involved. The firm will introduce a new concept or a new product after an intensive research is carried out by it. Thus we see that the process of diffusion of innovation is very critical to a firm. In this lesson we will study the concept of diffusion and the process of diffusion in details.

Objectives

After studying this lesson you should be able to:

- Understand the concept of diffusion and adoption of new products/innovation.

- Explain the process of diffusion.

- Apply the concepts of various adopter categories.

1. Diffusion

The first question here is what is diffusion? Thus let us try to define diffusion

Diffusion is a macro process concerned with the spread of a new product an innovation from its source to the consuming public. **Adoption** is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.

Diffusion of innovations is the process by which acceptance of an innovation (new products or new service or new idea) is spread by communication (mass media, sales people, informal conversation) to members of the target market over a period of time.

The four basic elements are included in this definition.

Some new product innovation, which were easily accepted by customers

New Product	Benefit Communicated
1. Vacuum cleaner (Eureka Forbes)	Compact, easy to use vacuum cleaner to keep home clan and tidy, home delivery after demonstration.
2. Fire extinguisher (Real Value)	Portal piece of safety equipment-fire extinguisher.
3. Plastic water tank (Sintex)	A convenient low cost alternative to the traditional metal or concrete water tank
4. Utensil cleaner cake (Rin cake)	Premixed scouring solution in the form of bar instead of waste prone powder.
5. Mosquito repellent matt (Good Knight)	A mosquito repellent- which has no smoke, no fumes, no ash, no cream, no mosquitos
6. Diaper (Huggys)	Drier, more comfortable than cloth, disposable diaper for babies.

Fig 12.1 Examples of new products/services easily accepted by consumers

2. The Diffusion Process

Now let us try to understand how the diffusion process takes place.

The diffusion process –Spreading of an innovation's acceptance and use through a population

Diffusion is the process by which the acceptance of an innovation (a new product, a new service, new idea or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time. The four basic elements of this process are:

1. **The Innovation:** Various approaches which have been taken to define a new product or a new service include

   a. **Firm-oriented definitions:** A firm oriented approach treats the newness of a product from the perspective of the company producing or marketing it. When the product is "new" to the firm it is considered to be new.

   b. **Product oriented definitions**: Product-oriented approach focuses on the features inherent in the product itself and on the effects these features are likely

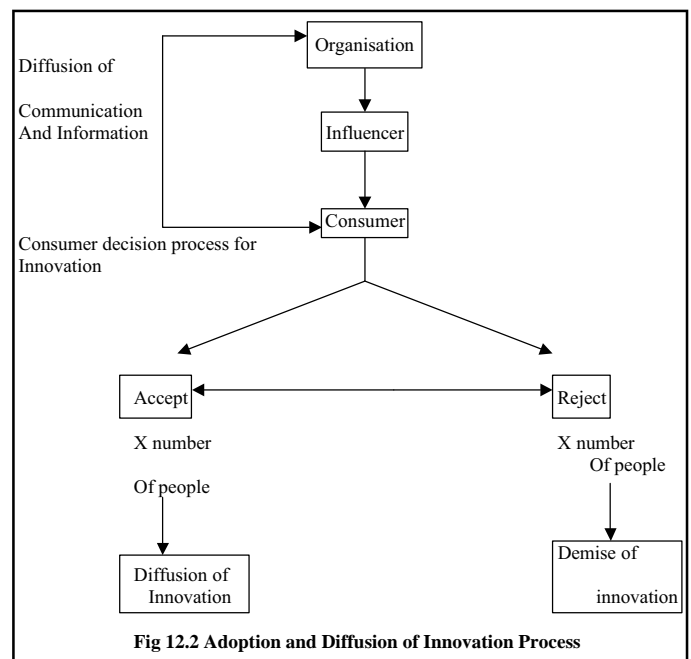to have on consumers' established usage patterns. Three types of product innovations could be: *Continuous innovation* having the least disruptive influence on established patterns involving the introduction of a modified product, rather than a totally new product. E.g., latest version of Microsoft Office; *dynamically continuous innovation* which may involve the creation of a new product or the modification of an existing product e.g., disposable diapers, CD players; *discontinuous innovations* requiring consumers to adopt new behavior patterns e.g., TV, fax machines, Internet

c. **Market oriented definitions**: Judges the newness of a product in terms of how much exposure consumers have to the new product. The definitions could be:

   (a). A product id considered new if it has been purchased by a relatively small (fixed) percentage of the potential market.

   (b). A product is considered new if it has been on he market for a relatively short (specified) period of time.

d. **Consumer oriented definitions**: A new product is any product that a potential consumer judges to be new.

Activity 1

Explain as precisely as possible the differences between continuous, dynamically continuous, and discontinuous innovations. Give some examples of each, other than those mentioned in the text.

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Influence of Product Characteristics on diffusion

What are the product characteristics that influence diffusion? The most important of them are:

A. **Relative Advantage**: The degree to which potential customers perceive a new product as superior to existing substitutes is its relative advantage. E.g., fax machine

B. **Compatibility**: The degree to which potential consumers feel new product is consistent with their persistent with their present needs, values, and practices is a measure of its compatibility. E.g., CD players

C. **Complexity:** The degree to which a new product is difficult to understand or use, affects product acceptance.

D. **Triability**: Refers to the degree to which a new product is capable of being on a limited basis.

E. **Operability**: Or Communicability is the ease with which product's benefits or attributes can be observed, imagined, or described to potential consumers.

Fig 12.2 Adoption and Diffusion of Innovation Process

2. **The channels of Communication**: How quickly an innovation spreads through a market depends to a great extent on communications between the marketer and consumers, as well as communication among consumers i.e., word-of-mouth communication.

   Thus this communication will include two types of communication:

   a. Communication between marketers and consumers

   b. Communication among consumers i.e., word of mouth.

Consumer information sources fall into four categories:

*   Personal sources: Family, friends, neighbors, and acquaintances.

*   Commercial sources: sales people, advertising, sales promotion techniques.

*   Public sources: Mass media, consumer rating organisations

*   Experimental sources: Demonstration, handling samples.

Depending on the innovation or new product, and the prospective customers, the firms try to adopt a cost effective way of communicating with them.

3. **The Social System**: The diffusion of a new product usually takes place in a social setting frequently referred to as a social system. In our case, the terms market segment and target segment may be more relevant than the term social system used in diffusion research. A social system is a physical, social, or cultural environment to which people belong and within which they function. For example, for new hybrid seed rice, the social system might consist of all farmers in a number of local villages.

The key point to remember is that a social system's orientation is the climate in which marketers must operate to gain acceptance for their new products. For example, in recent years, the World has experienced a decline in the demand for red meat. The growing interest in health and fitness throught the nation has created a climate in which red meat is considered too high in fat and calorie content. At the same time, the consumption of chicken and fish has increased, because these foods satisfy the prevailing nutritional values of a great number of consumers.

4. **Time**: Time pervades the study of diffusion in three distinct but interrelated ways:

a. The amount of purchase time: Purchase time refers to the amount of time that elapses between consumers' initial awareness of a new product or service and the point at which they purchase or reject it. For instance, when the concept of "Home Land" super market was introduced by Asha Chavan in Pune, apart from offering a variety of quality products, also give an unconditional guarantee of replacement or refund, home delivery of all, even single item telephonic orders at no extra cost. And beyond business, Homeland also offers free services like phone, electricity, credit card and cell phone bill payments.

b. The identification of adopter categories: The concept of adopter categories involves a classification scheme that indicates where a consumer stands in relation to other consumers in terms of time. Five adopter categories are frequently used viz., innovators, early adopters, early majority, late majority, and laggards.
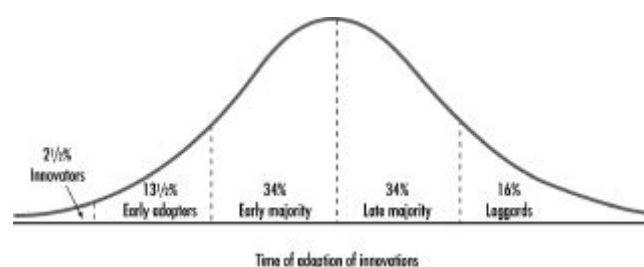
Fig 12.2 the sequence and proportion of adopter categories

As depicted in figure 12.2 above adopter categories are generally depicted as taking on the characteristics of a normal distribution i.e., a bell-shaped curve that describes the total population that ultimately adopts a product.

Now let us look at the characteristics of each of these categories. Figure 12.3 below describes just the same.

Adopter Category	Description	Relative percentage within which the population that eventually adopts
Innovators	Venturesome-very eager to try new ideas; acceptable if risk is daring; more cosmopolite social relationships; communicates with other innovators	2.5%
Early Adopters	Respect- more integrated into the local social system; the persons to check with before adopting a new idea; category contains greatest number of opinion leaders; are role models	13.5%
Early Majority	Deliberate-adopt new ideas just prior to the average time; seldom hold leadership positions; deliberate for some time before adopting	34.0%
Late majority	Skeptical-adopt new ideas just after the average time; adopting may be both an economic necessity and a reaction to peer pressures; innovations approached cautiously	34.0%
Laggards	Traditional-the last people to adopt an innovation; most "localite" in outlook; oriented to the past; suspicious of the new	16.0%
		100%

Figure 12.3 Adopter categories

Activity 2

Toshiba has introduced an ultra-slim laptop computer that weighs two pounds, has a colour screen, and has a powerful processor into which a full-size desktop screen and keyboard can be easily plugged. How can the company use the diffusion of innovations framework to develop promotional, pricing, and distribution strategies targeted to the following categories?

a. Innovators

b. Early adopters

c. Early Majority

d. Late majority

e. Laggards

a. The rate of adoption: The rate of adoption is concerned with how long it takes a new product or service to be adopted by members of a social system i.e., how quickly it takes a new product to be accepted by those who will ultimately adopt it.

Type of Time	Meaning	Examples
Purchase time	Time between awareness and purchase	If you look at your car's fuel meter and it reads "Empty" you stop at the next petrol pump you come to. If you are shopping for your second car, you may take a while to make a purchase, as long as your present car is working fine.
Adopter categories	A classification scheme that indicates where a consumer stands, in relation to others, when adopting a new product	*Innovators* are the first to adopt a new product, and *laggards* are the last
Rate of adoption	How long it takes a new product or service to be adopted by members of a social system	Black-and-white TVs were adopted by consumers much more quickly than their manufacturers had envisioned; in contrast, trash compactors have never been widely adopted

Fig 12.4 Importance of Time in the Diffusion process

The marketing objective for launching new products is to gain wide acceptance from the market as quickly as possible. So s to obtain huge market share with the new product, marketers either adopt a Penetrating strategy, i.e., low introductory price to discourage competitors from entering the market or go for a Skimming strategy.

Role of Personal Influence

Personal influence is another important factor, which plays a role in the adoption process of new products. This refers to what effect the statements made abut 'a new product' by one person will have on another person's change in attitude or probability. This means that based on the comments or views expressed by ones personal friend or acquaintance one may change the decision to adopt a new product or innovation. It is usually observed that consumers and especially women prefer to consult one another's friends and value the opinions expressed by them about new products, the quality differences among the different brands, store at which to purchase to experience shopping and so on.

Non adopter Categories

A classification of the non-adopter categories would include:

a. The unaware group: Those consumers who are not aware of the new product

b. Symbolic rejectors: Who, though aware of the product, have decided against buying it.

c. Symbolic adopters: Who know the product will be useful for them but have not tried it.

d. Trial adopters: Who have tried the product and also rejected the same.

e. Trial rejectors

Activity 3

What are the main competitive challenges facing firms in which understanding of diffusion of innovations might be useful?

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Key Terms

- Consumer innovators
- Continuous innovations
- Diffusion of innovations
- Diffusion process
- Discontinuous innovation
- Dynamically continuous innovation
- Innovations

Why Do People Innovate?

> *A desire to challenge the intellect with complex problems and gain recognition for solving them sparks innovation. Money is also motivation, but only to an extent.*

LAST time, I detailed how the open source model of software works. To recap, we have a never-before environment, where people from around the world contribute their time and energy for no monetary reward, using the Internet as a meeting point, all for the joy of seeing their name as a contributor to a large, important project.

Part of the lesson from this story is on the competitive front. Once again, we have a situation where a dominant giant is facing a disruption from the most unlikely of sources, and is stumbling because it cannot understand what motivates the challenger. However, the more interesting part of the story is in how it relates to innovation.

The unlikely open source model has resulted in an innovation explosion of a sort never seen before. Sourceforge, a key Web site for open source software, now has something like 60,000 ongoing software projects. That's right: 60,000! And this does not even begin to count the number of other Web sites that host similar software. True, some projects are more or less defunct, and some are simple me-toos. But even allowing for all this, there is still a huge number of ideas that have taken concrete, usable shape. Any normal organisation would love to have an idea-generating machine like this.

So what's happened here? What has sparked off what is probably one of the world's most fascinating models ever of innovation? And can this be of any use to normal, everyday organisations in more mundane businesses? I think it does. In fact, I would go further and say this is a truly epochal experiment being carried out, and one that needs far more examination by management theorists.

But getting back to what could have sparked it off. None of what are traditionally thought of as the factors driving innovation were present here. Necessity is the mother of invention, is what we've all been told. But what necessity? None of these people really "needs" to develop software for free. And what about an overall guiding force? None again. As I explained last time, nobody owns open source software. Neither is there any overall objective, which decrees which type of project to follow and which not to follow. Finally, and I think crucially, whatever happened to the gospel that people will innovate only if they get paid for it? Certainly not in this case.

All of which should make us re-examine these fundamental assumptions, particularly two. The first relates to why people innovate. And no, money is not the sole answer. Truly innovative people, those who will always look for a better way, be it in software products or marketing processes, are motivated by money only to a certain extent. For them, the journey itself is an important part of the reward. These are people who love to match their intellect against tough problems. When the problem is finally solved, a financial reward is welcome (as always!), but what they really want is recognition of their intellectual ability, and to be identified as the person who solved a knotty problem. Which in turn means that any innovation system must have a reward mechanism that does two key things. First, innovative contributions need to be formally recognised, and not just rewarded with an occasional pat on the back. Second, it must move away from the common current practice of an annual, company-wide innovation award to a series of year-round, function-specific awards.

The second issue is the question of what sparks innovation. Certainly the desire to do something new, but what is also needed is the opportunity to translate that desire into action. There is no doubt that software programmers always craved recognition, but without the Internet, open source software could not have existed on this scale. And definitely, the pace of innovation that one sees in open source would not be possible without the Internet-led quick and easy exchange of ideas. In other words, the innovation environment is critical, and that's a second major learning for corporates. It is an article of faith that managers will perform better if their salary is linked to performance, or if the organisation deliberately fosters internal competition. Yet, without an easy exchange of ideas, innovation is not going to take off, and internal competition encourages managers to keep their ideas to themselves. Performance-linked bonuses reduce the incentive to take risks. These mechanisms could result in a major divergence between the individual's objectives and the organisation's needs.

None of which is to say that internal competition and performance-linked bonuses are bad per se. The point instead is that if these (or any similar mechanisms) are to be installed, it is critical to also install knowledge-sharing and risk-inducing mechanisms to balance their negative effects on innovation. Without this, they will inevitably lead to long-term loss of competitiveness.

These learnings point the way to an understanding of the innovation process, which in turn is the beginning of developing a full-fledged innovation system. And without such a system in place, even the largest of today's corporates will find its dominance eroded in a few years.

Breathe Easy With Innovation

If the FMCG markets are saturated, innovation is the route to take. The US market has shown how ... the Indian players now have to take the cue.

A DISH wash liquid which soothes you with aromatherapy, a gel that paints your teeth whiter in a fortnight, a shampoo that protects your hair from ultraviolet rays ... These are not flights of fancy but examples of innovative products which have kept

FMCG sales zipping in mature markets such as the US over the past couple of years, even as a moribund economy took its toll on consumer spending.

Innovative products, which have spawned whole new categories, have been instrumental in driving FMCG sales growth in these mature markets. An indication that innovation may be the way forward for Indian FMCG marketers who are grappling with flat growth rates in categories such as soaps, detergents and toothpastes.

The penetration of oral hygiene products such as toothpastes is near total in the US. Yet, in the five years to 2002, the US oral care market is estimated to have expanded by nearly 19 per cent. Thanks to innovative products, which broad-based the category, the market now stands at $4.5 billion, according to Euromonitor, a research agency. Home teeth-whitening products such as P&G's Crest Whitestrips and Colgate's Simply White, which debuted just a year ago, have been behind the recent resurgence in oral care sales in the US. Crest Whitestrips is an adhesive strip that you paste on your teeth and peel off for a whitening effect. Colgate's Simply White is a gel which is painted on teeth; it promises whiter teeth after just a fortnight of use.

The staid toothbrush category has been rejuvenated as consumers graduate from manual to electric toothbrushes. P&G, Gillette and Colgate have rolled out a slew of electric and battery-operated toothbrushes at attractive prices, to push consumers into making the switch.

In soaps, liquid soaps and shower gels, especially those with mild and natural ingredients, have been a hit with consumers and have helped make up for the flagging sales of conventional bar soaps. Among the successful products in the category have been Dove liquid soap, which is sold on the "ultra-mild" plank, and Colgate's AromaTherapy range of shower gels and hand soaps, which promises to relieve stress through fragrance. After notching up robust growth in recent years, the market for liquid soaps and shower gels in the US is now worth around $700 million, almost three-fourths the size of the conventional bar soap market.

In cosmetics and toiletries, it is again innovation to the rescue. Products such as Olay Daily Facials, from P&G, a cleansing cloth that offers a quick-fix facial, have revived sales. According to Information Resources Inc, a research agency that monitors retail sales, niche products such as skin-firming products, acne treatments and cosmetics for men have managed to post over a 12 per cent sales growth in 2002, helping to compensate for the decline in conventional skin products such as moisturisers. In hair care products, the market for styling gels and mousses has been racing ahead, even as that for conventional shampoos and conditioners grew by barely one per cent in 2002.

The success of these products has kept the research departments at the FMCG majors working overtime. On the anvil, are dish wipes (disposable dish washing cloths), oil-based shower gels (which promise to replace body oils) and a host of hair-styling products which may help make your hairstyle look more tousled, curly, dry or wet.

Can Indian FMCG companies take the innovation route to bring seemingly mature categories back to life? Companies have already begun testing the waters. Hindustan Lever has been marketing the Lux liquid body wash range from Unilever's portfolio for some time now. Colgate-Palmolive India recently introduced the Palmolive AromaTherapy shower gel range in select metros. Electric toothbrushes are also beginning to make an appearance, with Gillette and Colgate putting a limited range of products on the retail shelves.

Sources in retail trade feel that the Indian market for such products is still very narrow. But if these launches click, even with a small section of consumers, it may afford a breather to the MNCs in the Indian FMCG space. Brand choices at the lower end of the FMCG market are increasingly being determined by price cuts and freebies. If the MNCs manage to create more space at the premium end of the market, they can breathe a bit easier in the knowledge that there are at least a few segments where regional competitors will stay out of their hair.

Product Innovation and Unique Offerings Have Helped Companies Grow

Hair colour is the fastest-growing segment of the hair care industry. The Rs 250-crore Indian hair colour market is expanding at more than 25 per cent annually and Godrej Soaps, whose presence in the segment dates back several years, is the market leader.

Over the past couple of years, the market for hair dyes has been abuzz with activity with MNCs such as L'Oreal entering the fray. How is Godrej Soaps coping? "Affordability, product innovation, and access, are factors that have helped us expand the segment. We would continue with these," says Dr Rakesh Kumar Sinha, General Manager (Consumer Products Division), Godrej Soaps Ltd in an interview with Business Line.

Excerpts from the interview:

Growth rates in hair care products such as shampoos and hair oils have been slowing down in the past year. What has been your experience with hair colour?

The high growth rate in the hair colour segment is partly because of the considerable promotional activity in the market. As we are the leaders in this market, we are consciously trying to expand the market. It is growing upwards of 25 per cent and we expect the growth rates to continue. As a market leader, it is our responsibility to ensure that the category grows.

Godrej has traditionally dominated the lower end of the hair colour market with liquid and powder dyes. Has the entry of MNCs such as Wella and L'Oreal at the higher end impacted your market share?

No. In the same period last year, you will see that our market share has grown. The new entrants such as L'Oreal have helped expand the market. We now have a presence in the upper end with our brand Godrej ColourSoft. Overall sales of ColourSoft are comparable to L'Oreal. As for Wella, the brand has always been smaller than us. L'Oreal is at the absolute top end of the market. However, the gap between L'Oreal and ColourSoft is narrowing.

With the advent of cream-based products, do you see consumers upgrading from powders and liquids to creams? If so, does Godrej plan to enter the cream segment of the hair dyes market?

Consumers do upgrade to better offerings, but not to other forms of products. If there is a superior product offering, there will be consumers at the top end. That is what has happened with L'Oreal Cream. Those of our consumers who want to shift upwards, are now shifting to ColourSoft, which is in liquid form.

Godrej has recently launched Kesh Kala, an oil-based dye. What is the current size of the brand?

Kesh Kala's market share has been rising every month since its launch. It has the potential to become a fairly large brand in our portfolio. We decided to launch this product because there were no players in this category. We have great hopes for this product.

You have launched ColourGloss shampoo, which targetted at people who colour their hair. Is this just an extension of your hair colour business or are there plans to enter other segments of the shampoo market?

This is an extension of our hair colour business. Through ColourGloss shampoo, we are targetting all those with coloured hair. Not only those who use hair dyes, but also those who use henna and other natural products.

Your hair oil brand Anoop does not appear to have seen much activity of late. Why is this? What are the future plans for the hair oils market?

Anoop is operating in a niche segment. The brand has some loyal customers who have experienced the benefits of this brand. There is no problem on distribution. The brand is widely available. For sales, this product relies mainly on word of mouth and positive user experience. Anoop is already well positioned, we do not want to tinker with it.

What is the current size of the hair colour market? What is the product's penetration level?

The hair colour market is currently Rs 250 crore, excluding the henna market, which is very large. Nobody has an idea of the size of the henna market. The branded hair colour market is just a small part of the entire market. Hair dye is used by just 20 per cent of the population. So we see potential for increasing penetration levels.

What are your strategies to pep up growth rates in this segment?

New offerings have helped us improve growth in this category. Our offering of powder hair dye in sachet form has exploded the category. Our offering of Kesh Kala, the oil-based dye, is again expanding the lower segment of the market. We would like to launch more such offerings to create awareness of this category. Product innovation, packaging, unique offerings, better availability and affordability are factors that have helped us to grow the segment. We will continue with these.

How much does the hair colour business contribute to Godrej Soaps revenues and profits?

I cannot share the profit figures. In terms of revenue, the hair colour business contributes about 20 per cent to the topline.

What are your plans for the hair care soaps — Godrej Shikakai and Crowning Glory? Do you see potential there or has that category died out?

The category has not died out because there are a lot of consumers who do buy these brands. Shikakai is a big seller among people who want to use a natural product for their hair. Crowning Glory also has its own set of loyal customers. The growth rates in these brands may not be similar to what you can expect in other brands. But the current trend will continue.

Both the Shikakai and Crowning Glory offerings are unique and they deliver the goods to the consumer. We do not want to relaunch these products without better offerings at this juncture. We changed the formulation of Crowning Glory last year and consumer feedback suggests it is 80 per cent better now. These products are holding up against the shift to shampoos.

Points to Ponder

DIFFUSION

Diffusion is the process by which the acceptance of an innovation (a new product, a new service, new idea or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time. The four basic elements of this process are:

The Diffusion Process

- **The Innovation**
- **The channels of Communication**
- **The Social System**
- **Time**

The Innovation

- **Firm-oriented definitions**
- **Product oriented definitions**
- **Market oriented definitions**
- **Consumer oriented definitions**

Influence of Product Characteristics on diffusion

- **Relative Advantage**
- **Compatibility**
- **Complexity**
- **Triability**
- **Operability**

Type of Time

- Purchase time
- **Adopter categories**
- **Rate of adoption**

Time

- *The amount of purchase time*
- *The identification of adopter categories*
- *The rate of adoption*

Non adopter Categories

a. The unaware group
b. Symbolic rejectors.
c. Symbolic adopters
d. Trial adopters
e. Trial rejectors

Adopter Category

- Innovators
- **Early Adopters**
- **Early Majority**
- **Late majority**
- **Laggards**

Notes

LESSON 33:
ADOPTION PROCESS

Introduction
In this chapter we explore factors that encourage and discourage acceptance or rejection of new products and services. Specifically, we will understand the process of adoption of innovation that is taken by consumers and also study the stages of adoption process

Objectives
After studying this lesson, you should be able to:

• Understand the adoption process

• Discuss the five stages in the consumer adoption process.

• Profile the consumer innovator.

• List and explain the personality traits of the consumer innovator

Adoption Process
After studying the last lesson you have a fair idea about the process of diffusion of innovation. Now let us concentrate on the adoption process.

The focus of this process is the stages through which an individual consumer passes although arriving at a decision to try or not to try or to continue using or to discontinue using a new product.

What exactly is adoption of innovation?
Customer acceptance of the innovation for continued use! We can thus define the adoption process as the mental process through which an individual passes from first hearing an innovation to final adoption. (Philip Kotler).

Activity 1
A large manufacturer of drug and personal grooming products wants to introduce a new toothpaste brand in addition to the three already marketed. Evaluate for the firm what information might be used for innovation studies to guide introduction of the product.

Stages in the adoption process:
Usually we have seen that the consumer moves through five stages in arriving at a decision to purchase or reject a new product:

• Awareness

• Interest

• Desire

• Action
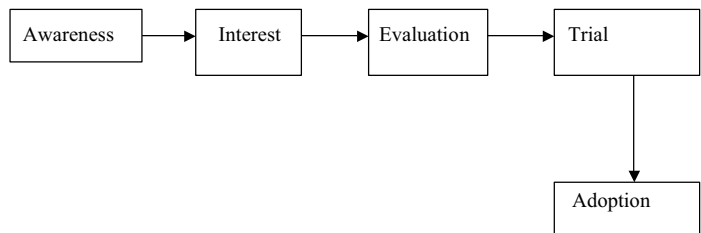
Fig 12.1 Stages of adopting new products

WE have already learnt about the stages in the adoption process in marketing management course in the earlier semester.
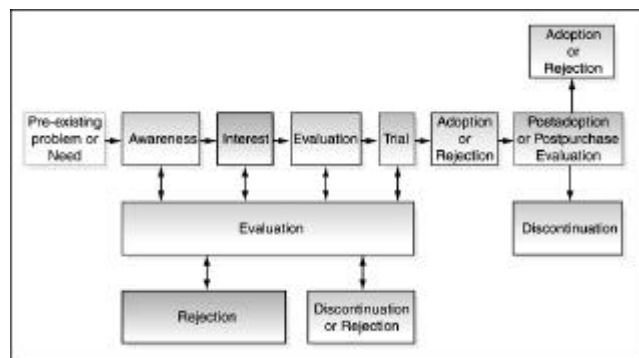
But, nevertheless, we are discussing the main characteristics of each stage and I am depicting the same in the form of a table as given in figure 12.1

Name of Stage	What happens during this stage	Example
Awareness	Consumer is first exposed to the product innovation	Rajesh sees an ad for a new digital camera in the newspaper
Interest	Consumer is interested in the product and searches for additional information	Rajesh reads about the camera on the manufacturer's web site, and then goes to a camera tore near his office and has a salesperson show him the camera.
Evaluation	Consumer decides whether or not to believe that this product or service will satisfy the need	After talking with a knowledgeable friend, Rajesh decides that his camera should be able to provide him with the photos he needs to use in PowerPoint presentations. He also likes the fact that it uses "standard" floppy disks for storage.
Trial	Consumer uses the product on a limited basis	Since a camera cannot be "tried" like a bottle of new moisturising lotion, Rajesh buys the camera from a dealer offering a 14-day full refund policy.
Adoption /Rejection	If trial is favourable, consumer decides to use the product on a full. Rather than a limited basis-if unfavourable, the consumer decides to reject it.	Rajesh finds that the camera is easy to use and the results are excellent; consequently, he keeps the digital camera.

Fig 12.1 the stages in the Adoption process

Activity 2

Tick the correct choice

1. The shortest adoption process would be the adoption of _____.
   a. fashion
   b. fads
   c. product classes
   d. brands

2. When Hewlett-Packard introduces its latest microchip at a very high price to consumers who are willing to pay top dollar for the latest technology, then gradually lowers the price in a stepwise fashion to attract additional market segments, it is practicing a _____ strategy.
   a. market penetration
   b. market skimming
   c. diffusion
   d. product obsolescence

3. According to the five stages of the adoption process, a consumer goes through the stages, starting out with the first stage which is _____.
   a. need recognition
   b. awareness
   c. interest
   d. trial

4. The stages in the adoption process end:
   a. with consumer trial of the product.
   b. with consumer adoption of the product.
   c. with consumer rejection of the product.
   d. either b or c

5. Personal and interpersonal sources become most important in the _____ stage of the adoption process.
   a. awareness
   b. trial
   c. adoption
   d. evaluation

6. Which of the following is not a characteristic of the consumer innovator?
   a. dogmatic
   b. have a need for uniqueness
   c. are inner-directed
   d. are variety seeking

7. _____ is the degree of uncertainty or fear about the consequences of a purchase that a consumer feels when considering the purchase of a new product.

   a. Perceived risk

   b. Variety seeking

   c. Inner directedness

   d. Venturesomeness

8. Consumer innovators are likely to have all the following media habits except:

   a. they have a greater total exposure to magazines.

   b. they are more likely to read general interest magazines.

   c. they are less likely to watch television.

   d. all the above are characteristics of consumer innovators

9. Demographics of consumer innovators are different from non-innovators. Which of the following is not necessarily a characteristic of a consumer innovator?

   a. relatively young

   b. more likely to be formally educated

   c. are financially more secure

   d. more mail than female

Stages in the mental processing of an innovation:

Here again we take a cursory glance at the processing that happens inside our brain regarding any innovation. To identify the stages in such processing, we can say that the following are the stages:

- Exposure
- Information gathering
- Evaluation
- Trial adoption
- Acceptance or rejection

A Profile of the Consumer Innovator

Who is a consumer innovator?

Consumer innovators can be defined as the relatively small group of consumers who are the earliest purchasers of a new product.

The problem with this definition is the concept "earliest"!

Innovators are defined as the first 2.5 percent of the social system to adopt an innovation.

In many marketing diffusion studies, however, the definition of the consumer innovator has been derived from the status of the new product under investigation.

Other researchers have defined innovators in terms of their innovativeness, that is, their purchase of some minimum number of new products from a selected group of new products.

Non-innovators would be defined as those who purchase none or only one of the new fashion products.

Interest in the Product Category

Consumer innovators are much more interested than either later adopters or non-adopters in the product categories that they are among the first to purchase.

Consumer innovators are more likely than non-innovators to seek information concerning their specific interests from a variety of informal and mass media sources.

They are more likely to give greater deliberation to the purchase of new products or services in their areas of interest than non-innovators.

The Innovator is an Opinion Leader

You will see that there is a strong tendency for consumer opinion leaders to be innovators.

Consumer innovators provide other consumers with information and advice about new products. Those who receive such advice frequently follow it.

The consumer innovator often influences the acceptance or rejection of new products.

When innovators are enthusiastic about a new product and encourage others to try it, the product is likely to receive broader and quicker acceptance.

Because motivated consumer innovators can influence the rate of acceptance or rejection of a new product, they influence its eventual success or failure.

Personality Traits

Consumer innovators generally are *less dogmatic* than non-innovators.

Consistent with their open-mindedness, it appears that innovative behavior is an expression of an individuals' *need for uniqueness.*

Still further, consumer innovators all differ from non-innovators in terms of *social character.*

Consumer innovators are *inner-directed.*

In contrast, non-innovators are other-directed.

The initial purchasers of a new line of automobiles might be inner-directed, whereas the later purchasers of the same automobile might be other-directed.

This suggests that as acceptance of a product progresses from early to later adopters, a gradual shift occurs in the personality type of adopters from inner-directedness to other-directedness.

There also appears to be a link between *optimum stimulation level* and consumer innovativeness.

Individuals who seek a lifestyle rich with novel, complex, and unusual experiences (i.e., high optimum stimulation levels) are more willing to risk trying new products, to be innovative, to seek purchase-related information, and to accept new retail facilities.

Variety-seeking consumers tend to be brand switchers and purchasers of innovative products and services.

Perceived Risk

Perceived risk is the degree of uncertainty or fear about the consequences of a purchase that a consumer feels when considering the purchase of a new product.

Research on perceived risk and the trial of new products overwhelmingly indicates that the consumer innovator is a low-risk perceiver; that is, they experience little fear of trying new products or services.

Purchase and Consumption Characteristics

Consumer innovators are *less* brand loyal.

Consumer innovators are more likely to be deal-prone.

Consumer innovators are also likely to be heavy users of the product category in which they innovate.

Specifically, they purchase larger quantities and consume more of the product than noninnovators.

Finally, for products like VCRs, PCs, microwave ovens, 35-mm cameras, and food processors, usage variety is likely to be a relevant dimension of new product diffusion.

To sum up, a positive relationship exists between innovative behavior and heavy usage.

Media Habits

Comparisons of the media habits of innovators and noninnovators across such widely diverse areas of consumption as fashion clothing and new automotive services suggest that innovators have somewhat greater total exposure to magazines than noninnovators, particularly to special-interest magazines devoted to the product category in which they innovate.

Consumer innovators are also less likely to watch television than noninnovators.

Studies concerning the relationship between innovative behavior and exposure to other mass media, such as radio and newspapers, have been too few, and the results have been too varied to draw any useful conclusions.

Social Characteristics

Consumer innovators are more socially accepted and socially involved than noninnovators.

This greater social acceptance and involvement of consumer innovators may help explain why they function as effective opinion leaders.

Demographic Characteristics

It is reasonable to assume that the age of the consumer innovator is related to the specific product category in which he or she innovates.

Research suggests that consumer innovators tend to be younger than either later adopters or noninnovators.

Probably because many of the products selected for research attention are particularly attractive to younger consumers.

Consumer innovators have more formal education, higher personal or family incomes, and are more likely to have higher occupational status (to be professionals or hold managerial positions) than later adopters or noninnovators.

Are There Generalized Consumer Innovators?

Do consumer innovators in one product category tend to be consumer innovators in other product categories?

Not necessarily!

The overlap of innovativeness across product categories, like opinion leadership, seems to be limited to product categories that are closely related to the same basic interest area.

Such a pattern suggests that it is generally a good marketing strategy to target a new product to consumers who were the first to try other products in the same basic product category.

There is evidence that suggests that a new type of more generalized "high-tech" innovator does exist, that is, the "change leader."

Such individuals tend to embrace and popularize many of the innovations that are ultimately accepted by the mainstream population.

They tend to have a wide range of personal and professional contacts representing different occupational and social groups; most often, these contacts tend to be "weak ties" or acquaintances.

Change leaders also appear to fall into one of two distinct groups:

A younger group can be characterized as being stimulation-seeking, sociable, and having high levels of fashion awareness.

A middle-aged group is highly self-confident and has very high information-seeking needs.

Similar to change leaders, "technophiles" are individuals who purchase technologically advanced products soon after their market debut.

Such individuals tend to be technically curious people.

Another group responding to technology are adults who are categorized as "techthusiasts"—people who are most likely to purchase or subscribe to emerging products and services that are technologically oriented.

These consumers are typically younger, better educated, and more affluent.

Desirable Characteristics of Innovations

Now, let us see in brief, what should be the main characteristics that are desirable in any innovation.

- *Relative advantage*–Is it better than existing products?
- *Perceived risk*–How likely is it that the relative advantage will accrue?
- *Complexity*–How easy is the innovation to comprehend?
- *Communicability*–Is the innovation socially visible?
- *Compatibility*–Is it consistent with existing behaviours/ values?
- *Trialability*–Can it be tried on a smaller scale?

Identifying Opinion Leaders and Innovators

A very important part of our discussion on innovators and opinion leaders is how to identify them? Do they have any features or characteristics, which make them, stand out in public? Not always!

But, for the purpose of making a category, we can definitely identify some characteristics.

Innovator characteristics include

- Risk taking
- Variety seeking
- Being in the upper socio-economic strata
- Less well integrated socially
- **Opinion leader characteristics include:**
    - High involvement with the product
    - Socially well integrated
    - More exposed to a variety of media sources
    - In leadership positions in social, political and community organisations

Resistance to innovation

We pause here to ask a question. If innovation is so good, why do people resist innovation? This happens mainly because of two reasons: out of habit or because of some perceived risk.

- **Habit**

    A learned sequence of responses to previously encountered stimuli

- **Perceived risk**

    Performance risk•The product does not perform or has harmful side effects.

    Social risk•Significant others might not approve of innovation adoption.

In figure 12.2 below we show a typology of innovation resistance and try to see how on the basis of these parameters we can have different types of innovation resistances.

A typology of innovation resistance

Risk				
			Low	High
		Weak	1. No resistance innovations (new and improved versions of established product; fads and fashions)	3. Risk-resistance innovations (discontinuous and replacement innovations)
Habit				
		Strong	2. Habit-resistance innovations (continuous and replacement innovations)	4. Dual resistance innovations (social programs)

Fig 12.2 Innovation resistance

Source: Jagdish N. Sheth, 'Psychology of innovation resistance: The less developed concept', *Research in Marketing* 4, 1981, pp. 273-82.

Activity 3

With the advancement of digital technology, some companies plan to introduce interactive TV systems that will allow viewers to select films from "video libraries" and view them on demand. Among people you know, identify two who are likely to be the innovators for such a new service and construct consumer profiles using the characteristics of consumer innovators discussed in the text.

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Key Terms

- Adopter categories
- Adoption process
- Stages in the adoption process
- Innovators
- Laggards
- Compatibility
- Complexity
- Triability
- Observability
- Usage barriers
- Value barriers
- Risk barriers
- Relative Advantage
- Discontinuous innovation
- Continuous innovation
- Dynamically continuous innovation

Article 1

Media Innovation Can Overcome AD Clutter

IN an era marked by advertising clutter, a rethink on strategies to make television advertising sizzle and sparkle is needed, according to Mr. Sam Balsara, Chairman and Managing Director, Madison Communications Pvt Ltd.

"Conventionally, brand building copy plus media efficiency resulted in brand power. Today, we additionally need media innovation to these inputs, which will result in Nuclear Power," Mr Balsara told a delegation to Ad-Wise 2002, TV Airtime Selling, Planning and Buying Forum, organised by Indiantelevision.com.

Because of the brand clutter, advertising has failed to make an impact. Therefore, television's share of the advertising pie may not go to 60 per cent from the current 40 per cent. However, press advertising has begun to respond very well in the face of competition from television.

Mr. Balsara cited the example of the popular TV show 'Rajni', sponsored by Godrej. "The results were miraculous. Over one year, Godrej's ad spend increased from Rs 1 crore to Rs 4 crore," Mr. Balsara said.

Similarly, in 1989, Cinthol Lime achieved 5.3 per cent share of the premium soap market in one month with media efficiency. "We just took eight spots on Mahabharat over four consecutive Sundays and we achieved this."

Earlier, advertising was confined to prime time television. In 2001, there were 32 lakh spots for 6.57 crore seconds as compared to 24 lakh spots and 5.22 crore seconds in 2000.

Mr. Balsara suggested six methods to achieve Nuclear Power - Invest in Programming, Maximise Salience, Push Brand Values, Attack Competition, Create Opportunities and Take Risks.

According to Mr. Balsara, conventionally, companies were not averse to risk. "Now companies are becoming risk averse when it comes to media decisions," he said.

Choosing Your Entry Strategy

> Pioneering is associated with innovation. Companies that desire to pioneer need to invest their resources to innovate their products and processes.

A human-like robot developed by Sony Corporation. The company has constantly innovated its product offering and has pioneered a few categories.

PIONEER or follow? This discussion has already taken up three issues in this column. It's time now to decide which fits your organization.

In the previous issue, it was pointed out that the choice of strategy is not an absolute. Of course, it will depend to some extent on the industry features. More important, the correct strategy in any given case depends upon a company's competencies, and how aligned they can be to a particular strategy.

Let's begin with pioneering. If you think about it, this is closely linked to innovation, the current buzzword. Almost every company we talk to wants to be more 'innovative'. But what does this word really mean? Does it mean just adding more useful features to existing products (like pilfer proof caps)? Or does it mean coming out with 'first time' products (like mosquito mats)? What about continually improving existing processes (like using hand-helds for the sales force)? And how about a new media buying model?

All these are innovations. But, the resources, processes and values needed to maximize the return from each of these are widely different, and companies rarely excel at more than one type of innovation. Indeed, it is very difficult to do so. So, if you want to pioneer a market, the first reality check is to understand your product innovation abilities. This is a complex topic (and we will come back to it in future articles), but for now, ask yourself this question: Can we, year after year, come up with a series of truly new products (like 3M and Gillette), or is our product innovation process more suited to incremental improvements in existing products (like a new soap perfume, or a powdered drink with better solubility)? If the answer is the latter, pioneering is obviously not for your organization. Unless

you can make a determined effort to alter mindsets and abilities towards innovation.

Closely related, and of particular importance in consumer marketing, is the level and type of marketing skills. For an innovation in an industrial product, the benefits are, or should be, obvious to the end-user. In consumer goods, they have to be communicated strongly and convincingly. For example, a new industrial coating that lasts twice as long as existing ones at a small premium will practically sell itself. But in house paints, convincing consumers to pay a premium for a new technology exterior paint is far more difficult, and needs a different type of marketing skill. The question here is: Can we effectively educate the consumer and create a new market by communicating the advantages of a totally new concept, or are we better at communicating the benefits of our product vis-à-vis competing products?

The fact is that for a majority of companies, pioneering as a strategy is not an easy option. This does not mean that they can never have a 'killer' idea, but rather, that such an idea will be the exception rather than the rule. Actually, the 3M or Gillette level of pioneering is extremely demanding, and very few companies can sustain the pace. Most of them fall into the second category, with processes geared towards incremental improvements, enlivened by occasional flashes of disruptive product innovation.

If you are to follow, the obvious question is - how best can you enter a market as a follower? This is where a complex interplay between your resources and innovation ability, and that of the dominant incumbent comes in. Further, it is easier to mount a successful attack if there is dissatisfaction with the current leader, than if it is perceived to be of high quality. In a framework for late entrant strategies, Shankar and Krishnamurthi have proposed eight options. These range from a niche strategy to an innovation-led strategy, with the applicability depending on the challenger's level of resources, ability to innovate, and the dominant incumbent's perceived product quality.

Being a late entrant is not a bad idea - business history is replete with cases where late entrants have eventually outsold pioneers. The point is that what works for one company may be disastrous for another. In fact, the key issue in developing an entry strategy is a dispassionate appraisal of your own weaknesses, a process that is far more difficult than it sounds.

Adoption process

We can thus define the adoption process as the mental process through which an individual passes from first hearing an innovation to final adoption. (Philip Kotler).

Stages in the adoption process

- **Awareness**
- **Interest**
- **Evaluation**
- **Trial**
- **Adoption/Rejection**

Stages in the mental processing of an innovation

- Exposure
- Information gathering
- Evaluation
- Trial adoption
- Acceptance or rejection

Innovator characteristics

- Risk taking
- Variety seeking
- Being in the upper socio-economic strata
- Less well integrated socially

Desirable characteristics of innovations

- *Relative advantage*
- *Perceived risk*
- *Complexity*
- *Communicability*
- *Compatibility*
- *Trialability*

Resistance to innovation

- **Habit**

- **Perceived risk**

A typology of innovation resistance

- No resistance innovations
- Habit-resistance innovations
- . Risk-resistance innovations
- Dual resistance innovations

Notes

LESSON 34:
TUTORIAL

1. Sony is introducing a 27-inch TV with a built in VCR, a picture-in-picture feature, and a feature that allows the viewer to simultaneously view frozen frames of the last signals received from 12 channels should obtain information on the following items:

- What recommendations would you make to Sony regarding the initial target for the new TV market?

- How would you identify the innovators for this product?

- Select three characteristics of consumer innovators from the list below and explain how Sony might use each of these characteristics to influence the adoption process and speed up the diffusion of the new product?(Product interest, opinion leader, personality, purchase and consumption traits, media habits, social characteristics, demographic characteristics)

- Should Sony follow a penetration or a skimming policy in introducing the product? Why?

Notes

LESSON 35:
DECISION MAKING PROCESS

Introduction

We as consumes are interested in the purchase of goods and services to satisfy our personal, social, and environmental needs. In this lesson we are considering the various levels of decision-making and then go ahead to explain the process of consumer decision-making. We will be explaining the various models, which signify the consumer decision-making process. The most important aspect here is that we consider consumer's decisions not as the end point but rather as the beginning point of a consumption process.

Learning Objectives

After reading this lesson you should be able to:

- Identify the different levels of consumer decision-making

- Explain the process of consumer decision-making

1. Levels of Consumer Decisions

As a buyer or consumer you are all the time making decisions such as what product to buy (a book or a shirt as a birthday present for your friend), which brand (Lux, Liril, Dove, Palmolive) from where (Departmental store, corner shop, chemist), etc.

> **The process by which a person is required to make a choice from various alternative options is referred to as decision-making.**

Fig. 13.1 below presents a summary of the different levels of purchase related decisions most commonly encountered by consumers. The table highlights the broad range of choices the consumers have to select from when making a decision, starting from the generic product category level to the brand level and the retail outlet level.

Level of Decision	Alternative	
	Two wheel or Four wheel vehicle Power Driven	
Generic Product category level	I. Scooter II. Motorcycle	I. Car II. SUV
Brand Level	**Scooter** I. Bajaj II. Kinetic **Motorcycles** I. Yamaha II. Hero Honda	**Car** I. Maruti Car II. Santro Xing **SUV** I. Tata Sumo II. Toyota Qualis

Retail Level	Type of Retail Outlet	
	I. Company Showroom II. Exclusive Brand dealer outlet III. Dealer outlet with own service facility IV. Dealer outlet closest to home V. Dealer outlet recommended by friend	

Fig 13.1 Levels of purchase related consumer decisions for personal transport

2. Decision making Process

Customer decisions are those decisions customers make in the marketplace as users, payers and buyers. Decisions are often guided by mental budgeting.–Customer sets a budget for a particular product or service.

The most basic and important requirement for the marketer is to understand how consumers make choices. Making a decision is a rational and conscious process in which the consumer evaluates each of the available alternatives to select the best amongst them.

2.1 Consumer Information Processing Model

Traditionally, consumer researchers have approached decision-making process from a rational perspective. This dominant school of thought views consumers as being cognitive (i.e., problem-solving) and, to some but a lesser degree, emotional.[1] Such a view is reflected in the stage model of a typical buying process (often called *the consumer information processing model*) depicted in Figure 13.2.
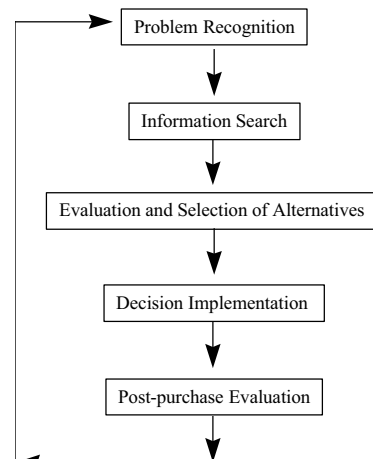
Figure 13.2 The Consumer Information Processing Model

In this model, the consumer passes through five stages: problem recognition, information search, evaluation and selection of alternatives, decision implementation, and post-purchase evaluation.

Step 1-Problem Recognition

A customer problem could be any state of deprivation, discomfort or wanting, both physical and psychological –e.g. 'We're out of milk and bread and I'm hungry!' Realisation by customer that he/she needs to buy something to get back to normal state of comfort both physically and psychologically could be the recognition of problem. e.g. 'I'd better get to the store before it closes!'

In this information-processing model, the consumer buying process begins when the buyer recognizes a problem or need. For example, Deepak may realize that his best suit doesn't look contemporary any more. Or, You may recognize that your personal computer is not performing as well as you thought it should. These are the kinds of problem that we as consumers encounter all the time. When we found out a difference between the actual state and a desired state, a problem is recognized. When we find a problem, we usually try to solve the problem. We, in other words, recognize the need to solve the problem. But how?

Stimuli for problem recognition

The different stimuli, which leads to the recognition of problems are:

- Internal stimuli may include perceived states of physical or psychological discomfort such as hunger or boredom
- External stimuli may include marketplace information
- e.g. the smell of freshly baked bread
- Primary versus secondary demand
  - Primary demand is for a product category while secondary demand is for a specific brand within the category

Step 2-Information Search

When a consumer discovers a problem, he/she is likely to search for more information. You may simply pay more attention to product information of a personal computer. You become more attentive to computer ads, computers purchased by your friends, and peer conversations about computers. Or, you may more actively seek information by visiting stores, talking to friends, or reading computer magazines, among others. Through gathering information, the consumer learns more about some brands that compete in the market and their features and characteristics. Theoretically, there is a total set of brands available to you, but you will become aware of only a subset of the brands (*awareness set*) in the market. Some of these brands may satisfy your initial buying criteria, such as price and processing speed (*consideration set*). As you proceed to more information search, only a few will remain as strong candidates (*choice set*).
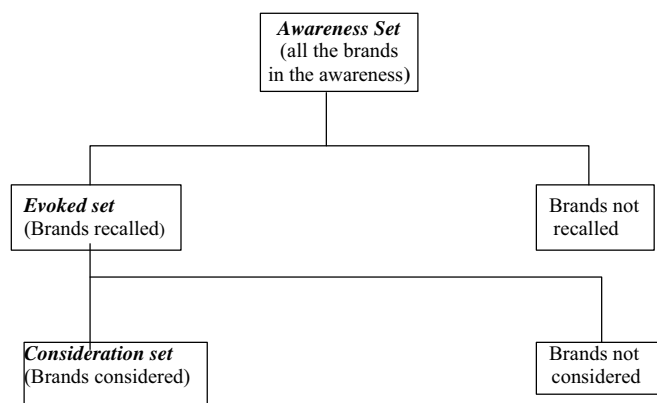
Fig 13.3 Awareness, evoked and consideration sets

As illustrated in the diagram above, customers search for information about alternative ways of solving their problems and they consider only a select subset of brands.

- Awareness set – all brands that the customer is aware of
- Evoked set – all those brands that the customer remembers at decision-making time
- Consideration set – those brands in the evoked set that the customer will consider buying

Sources of Information

Marketer sources	Non-marketer sources
• Advertising • Salespersons • Product/service brochures • Store displays • Company web sites	*Personal sources* • Friends and other acquaintances • Past experience *Independent sources* • Public information like news report in media, government publications, India Today magazine • Product or service experts like pharmacists, house appraisers • Internet

Fig 13.4 Sources of information for customers

Search Strategies

Search strategies are the patterns of information acquisition customers use to solve their decision problems.

1. Routine, extended and limited problem solving:
   - Routine – no new information considered
   - Extended – extensive search and deliberation
   - Limited – limited time and effort invested
2. Systematic versus heuristic search:
   - Systematic – comprehensive search and evaluation
   - Heuristic – quick rules of thumb and shortcuts

3. Strategies to deal with missing information:

- Interattribute inference – value inferred from another attribute
- Evaluative consistency – missing attribute assumed to conform to overall evaluation
- Other-brand averaging – use of average value from evaluation of attribute for other brands
- Negative cue – avoid option with missing information or assign it low or negative value

Amount of Search

The amount of time spent searching is determined by:

- Perceived risk: performance, social, psychological, financial and obsolescence risk
- Involvement: perceived importance of product
- Familiarity and expertise: based on previous information acquisition and personal experience
- Time pressure: customers increasingly 'time poor'
- Functional versus expressive nature of product: bought for performance or social value
- Information overload: too much information

Step 3-Evaluation and Selection of Alternatives

How does the consumer process competitive brand information and evaluate the value of the brands? Unfortunately there is no single, simple evaluation process applied by all consumers or by one consumer in all buying situations.

One dominant view, however, is to see the evaluation process as being cognitively driven and rational. Under this view, a consumer is trying to solve the problem and ultimately satisfying his/her need. In other words, he/she will look for problem-solving *benefits* from the product. The consumer, then, looks for products with a certain set of attributes that deliver the benefits. Thus, the consumer sees each product as a *bundle of attributes* with different levels of ability of delivering the problem solving benefits to satisfy his/her need. The distinctions among the need, benefits, and attributes are very important. One useful way to organize the relationships among the three is a hierarchical one (Figure 13.5). Although simplified, Figure 13.5 is an example of how a bundle of attributes (i.e., a product or, more specifically, personal computer) relates to your benefits and underlying needs.

Figure 13.5 Hierarchical View of Needs, Benefits, and Attributes

From this figure and the preceding discussion, you might recognize that the product attributes are relevant and important *only to the extent* that they lead to a certain set of benefits. Likewise, benefits are meaningful *only if* they can address the problem and be instrumental to satisfy the underlying need. As the underlying need is often personal, consumers differ as to their beliefs about what product benefits and attributes are more (or less) important and relevant in satisfying their needs. Based on their personal judgment on importance of benefits and attributes, consumers develop a set of attitudes (or preferences) toward the various brands. One may express his/her preferences of the brands in terms of ranking, probability of choice, and so forth.

Models •The specific manner in which customers select one of the alternatives could be either through:

1 Compensatory model

- All attributes are evaluated with mental trade-off of perceived weaknesses and strengths.

2 Non-compensatory models

- Conjunctive – minimum cut-offs set for relevant attributes
- Disjunctive – tradeoffs between aspects of choice alternatives made
- Lexicographic – attributes are ranked in order of importance
- Elimination by aspects – attributes are rated in order of importance and cutoff values defined

How and when models used

- Two-stage choice process:

  –For important decisions might use non-compensatory first and then compensatory •Rapid heuristics:

  –Simple rules of thumb used for low-risk/involvement decisions

- Satisficing:
- Selecting an acceptable alternative rather than searching for best alternative
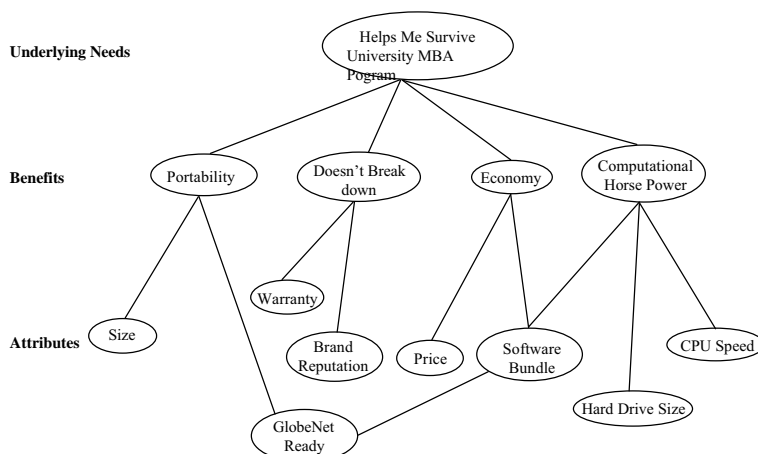
Step 4 – Purchase Decision Implementation

To actually implement the purchase decision, however, a consumer needs to select both specific items (brands) and specific outlets (where to buy) to resolve the problems. There are, in fact, three ways these decisions can be made: 1) simultaneously; 2) item first, outlet second; or 3) outlet first, item second. In many situations, consumers engage in a simultaneous selection process of stores and brands. For example, in your personal computer case, you may select a set of brands based on *both* the product's technical features (attributes) *and* availability of brands in the computer stores and mail-order catalogs you know well. It is also possible; that you decide where to buy (e.g., Computer world in your neighborhood) and then choose one or two brands the store carries. Once the brand and outlet have been decided, the consumer moves on to the transaction ("buying").
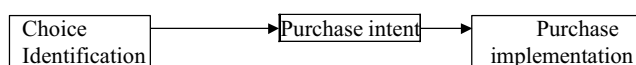
Fig 13.6   Customer behaviour at the purchase step

Step 5-Post-purchase Evaluation

The type of preceding decision-making process directly influences post-purchase evaluation processes. Directly relevant here is the level of *purchase involvement* of the consumer. Purchase involvement is often referred to as "the level of concern for or interest in the purchase"[2] situation, and it determines how extensively the consumer searches information in making a purchase decision. Although purchase involvement is viewed as a continuum (from low to high), it is useful to consider two extreme cases here. Suppose one buys a certain brand of product (e.g., Diet Pepsi) as a matter of habit (*habitual purchase*). For him/her, buying a cola drink is a very low purchase involvement situation, and he/she is not likely to search and evaluate product information extensively. In such a case, the consumer would simply purchase, consume and/or dispose of the product with very limited post-purchase evaluation, and generally maintain a high level of repeat purchase motivation (Figure 13.7).
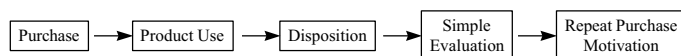
Figure 13.7 Low Involvement Purchase
Source: Hawkins, Best, and Coney (1983)

However, if the purchase involvement is high and the consumer is involved in extensive purchase decision making (e.g., personal computer), he/she is more likely to be involved in more elaborate post-purchase evaluation – often by questioning the rightness of the decision: "Did I make the right choice? Should I have gone with other brand?" This is a common reaction after making a difficult, complex, relatively permanent decision. This type of doubt and anxiety is referred to as *post-purchase cognitive dissonance* (Figure 13.8).
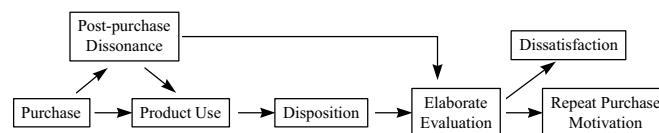

Figure 13.8 Elaborate Post-purchase Evaluation
Source: Adopted from Hawkins, Best, and Coney (1983)

According to the research, the likelihood of experiencing this kind of dissonance and the magnitude of it is a function of:

- The degree of commitment or irrevocability of the decision,
- The importance of the decision to the consumer,
- The difficulty of choosing among the alternatives, and
- The individual's tendency to experience anxiety.

Because dissonance is uncomfortable, the consumer may use one or more of the following approaches to reduce it:

- Increase the desirability of the brand purchased.
- Decrease the desirability of rejected alternatives.
- Decrease the importance of the purchase decision.
- Reject the negative data on the brand purchased.

If the dissonance about the purchase is not reduced, the anxiety may transform into a dissatisfaction (general or specific). Certainly, this negative experience leads to a new problem recognition (Figure 1), and the consumer will engage in another problem solving process. The difference, however, is that in the next round of process, memory of the previous negative experience and dissatisfaction will be used as part of information. Therefore, the probability for the unsatisfactory brand to be re-selected and repurchased will be significantly lower than before.

Fig 13.9 Steps in the post-purchase phase

- Decision confirmation:
    - Need to confirm wisdom of decision
    - Cognitive dissonance: post-purchase doubt
- Reduced by seeking more information or validation from others
- Experience evaluation:
    - Is product consumed routinely or while being consciously evaluated?
- Satisfaction/dissatisfaction:
    - Usage outcome
    - Role of pre-purchase expectations
- Future response
    - Exit: dissatisfied customers may never purchase the brand again–Voice: dissatisfied customers complain
- Likelihood of complaining depends on:
- Dissatisfaction significance
- Attributions of the marketer
- Customers' personality traits–Loyalty: satisfied customers purchase the brand repeatedly

Activity 2

Activity 2
Reflect on how you might choose each of the following products or services:
–   An airline for a holiday to Switzerland
–   Toothpaste during a trip to a country where none of your usual brands is available
–   A car.
For each, indicate whether you would use:–
        A two-phase or single-phase decision strategy
–   A compensatory or a non-compensatory model, or both
–   A heuristic, and what this might be.
Think again about each product or service in the previous question.
••What sources of information in each category (e.g. internal, external, marketer or non-marketer) would you be likely to use?
••Would some of these be more useful to you during the later rather than earlier stages in the decision process? Explain your answer.
For which of these decisions are you likely to have experienced cognitive dissonance? Why or why not?
••What actions are you likely to have taken to reduce that dissonance?
••What can a marketer do, in each case, to help overcome that dissonance?

2.2 The Hierarchy of Effects model

Another widely used model in marketing that attempts to explain consumer decision-making process is called the *hierarchy of effects model*. Although different researchers developed slightly different models, the basic idea is the same: people experience a sequence of psychological stages before purchasing a product. Such a model is provided in Figure 13.10.
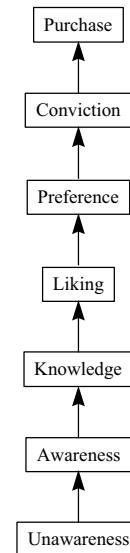
Figure 13.10 A General Model of the Hierarchy of Effects

Source: Adopted from Delozier (1976)

Originally conceived to explain how advertising affects consumer's purchase decisions, the hierarchy of effects (HOE) model focuses on consumer learning that takes place as he/she processes information from the external world. The HOE model begins with the state where a consumer has no aware-ness about the brand (unaware) then develops awareness triggered by external stimuli, such as advertising message or "word of mouth." As he/she obtains and processes more information, the consumer develops more specific knowledge about the brand. The knowledge, then, is used as basis to form a liking (or disliking), leading to a preference of brand(s) relative to the others. However, people need to be pushed beyond the preference stage to actually buy the brand of preference. The preference stage, after all, simply means that the consumer has formed a preference *psychologically*. Now it takes conviction for him/her before actually buying the brand.

By now, you might have realized at least two points. One, it seems reasonable that not all the consumers are at the same stage. For example, you may be in the unawareness stage relative to Wrangler Jeans, but Lee may be in the preference stage. Two, it also seems reasonable that not all people at one stage move onto the next stage. For example, some consumers who have formed preference to Maggi Tomato Sauce may not form any conviction to buy the product. Furthermore, some people may need more time before moving onto the next stage than others.

The HOE model is quite similar to the consumer information-processing model because it also assumes that people are cognitively driven, thinking information processors. Controversy exists, of course, as to whether that is necessarily true. Some may claim that they often form liking and preference (emotional response or *feeling*) toward brands before developing cognitive judgment (knowledge or *thinking*) on them. Others argue that people form preference and knowledge simultaneously. Although each argument has its own support, the general model (cognition first, preference second) seems to be valid especially in relatively complex – or *high-involvement* – decision making situations (e.g., cars, computers), providing a conceptual framework for thinking about the sequence of events, which begins from the initial awareness to the final action (i.e., purchasing).

2.3 The Implications

We have reviewed two of the most widely accepted models of consumer decision-making process. These are based on theories and research of social psychology, consumer behavior, and marketing. As managers rather than academics, however, we have several more tough questions to ask. Here are some of them:

- The idea of the information-processing model seems reasonable. But, we know that we as individuals are not living in a vacuum. That is, when we are making a purchase decision, we are constantly influenced by other factors than just information, such as family, friends, cultural values, social class, or subculture. Oh, what about physiological needs, such as sex, hunger, safety? Might these also affect which brand we choose and buy? How and where do these factors play roles in the information-processing model?

- What would be some of the practical implications of the information-processing model for a marketing manager who is trying to market, say, mountain bikes? If he/she knows about the information-processing model, what could he/she do differently in, for example, the new product introduction?

- What would be the implications of the HOE model for marketing managers? For example, what should an advertising manager measure to know the "effectiveness" of his/her advertising campaign? Should he/she measure "sales"?

- Under what circumstances consumers are more likely to develop "liking (feeling)" first, "knowing (thinking)" second? What would be some of the products/services in those situations? Why?

Activity 3

a) Consider the case of a consumer durable that you may have recently purchased. Try to recall the actual process you might have undergone in buying that. Write down the specific activities you undertook at each stage of the decision-making process.

b) Do you find any difference in the approach described above and the approach that you may have followed? What could be the difference for these differences?

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NOTES

(Endnotes)

[1] See also Schiffman, Leon G. and Leslie Lazar Kanuk (1997), _Consumer Behavior_, Upper Saddle River, New Jersey: Prentice Hall. and Solomon, Michael R. (1996), _Consumer Behavior: Buying, Having, and Being_, Englewood Cliffs, New Jersey: Prentice Hall. For more detailed discussions and paper citations, refer to Engel, James F., Roger D. Blackwell, and Paul W. Minard (1993), _Consumer Behavior_, 7th ed., Fort Worth, Texas: Dryden Press. and Wilkie, William L. (1990), _Consumer Behavior_, 2nd ed., New York, New York: John Wiley & Sons.

[2] Hawkins, Del I., R. J. Best, and K. A. Coney (1983), _Consumer Behavior: Implications for Marketing Strategy_, Plano, Texas: Business Publications Inc.

Key Terms

- Generic Product level
- Brand level
- Retail Level
- Consumer Information Processing Model
- Awareness Set
- Evoked Set
- Consideration Set
- Systematic Search

Points To Remember

Levels of Consumer Decisions

- Generic Product category level
- Brand level
- Retail level

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LEVELS OF DECISION MAKING

• Extensive Problem Solving

• Limited Problem Solving

• Routinized Response Behavior

INPUT/ EXT. INFLUENCE

FIRMS MARKETING EFFORTS
4 P'S

SOCIOCULTURAL ENVIRONMENT
•FAMILY
•INFORMATION SOURCES
•OTHERS
•SOCIAL CLASS
•SUBCULTURE

PROCESS/ C.D.M.

NEED RECOGNITION
PREPURCHASE SEARCH
EVALUATION OF ALTERNATIVES

PSYCHOLOGICAL FIELD
▪MOTIVATION
▪PERCEPTION
▪LEARNING
▪PERSONALITY
▪ATTITUDES

EXPERIENCE

OUTPUT/ P.D.B.

PURCHASE
1. TRIAL
2. REPEAT PURCHASE

POST PURCHASE EVALUATION

MODELS OF CONSUMERS:
Four views of consumer decision making

➢ Economic view

➢ Passive view

➢ Cognitive view

➢ Emotional view

✓ CONSUMER GIFTING BEHAVIOUR

RELATIONSHIP MARKETING

The firm provides:

The customer provides:

•Products / services
•Individual attention
•Continuous information
•Price offers
•Service, perks , extras

Trust
and
Promises

•Repeat purchase
•Increased loyalty
•Goodwill
•Positive word of mouth
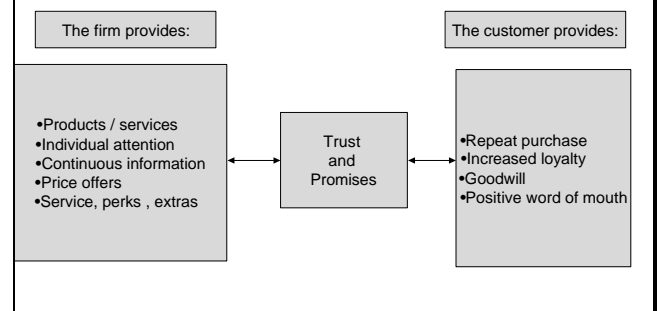
Decision making Process

- Consumer Information Processing Model

- The Hierarchy of Effects Model

The Hierarchy of Effects model

- Unawareness
- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase

Consumer Information processing Model

- Step 1: Problem recognition
- Step 2: Information Search
- Step 3: Evaluation and Selection of Alternatives
- Step 4: Purchase Decision Implementation
- Step 5: Post-Purchase Evaluation

LESSON 36:
TYPES OF PURCHASE DECISION BEHAVIOUR

Introduction

Consumer buying behaviour varies with the type of buying decision. The buying decision process further varies with the type of product involved. For instance, while a decision for buying bread is almost automatic, the decision for buying a laptop is more deliberate and time consuming. Similarly, there is a great deal of difference in buying a tube of toothpaste, apparels for yourself and a Television set for your home. This will depend on how complex the decision is likely to be and the degree of involvement required from the participants. In other words, more complex the decisions, more the involvement of buying participants and more the buyer deliberation.

Objectives

After reading this lesson, you should be able to:

* Differentiate between types of buyer decision behaviour

* Identify and explain the factors influencing problem-solving.

1. Variables that shape the decision Process

How people make decisions continue to interest researchers and strategists because of its complexity and dynamic nature. Even with all the options available to them, people are usually quite rational and make systematic use of the information, and usually consider the implications of their actions before they decide to engage or not engage in a given behaviour. In this section, we summarize information about variables that can influence decision-making.

onsumer decision making is influenced and shaped by many factors and determinants that fall into three categories:

a. Individual differences

b. Environmental influences

c. Psychological processes.

We have already covered all these factors in depth in earlier lessons; hence we are just presenting a summary of them.

a. Individual Differences

There are five major categories of individual differences, which affect behaviour, viz.,

(a). **Demographics, psychographics, values and personality**: The decision processes and buying behaviour gets very much affected by how people differ. You have read about these influences earlier. These variables include what has come to be known as psychographic research to probe into those individual traits, values, beliefs, and preferred behaviour patterns that correlate with behaviour in market segments.

(b**). Consumer resources:** Each person brings three primary resources into every decision-making situations: (1) time,

(2) money, and (3) information reception and processing capabilities or attention. Generally there are distinct limits on the availability of each, thus requiring some careful allocation.

(c). Motivation: Psychologists and marketers alike have conducted a wide variety of studies to determine what takes place when goal-directed behaviour is energized and activated. Chapter 3 discusses motivation thoroughly.

(d**). Knowledge**: Knowledge is defined as information stored in memory. It encompasses a vast array of items such as the availability and characteristics of products and services; where and when to buy; and how to use products. One main goal of advertising and selling is to provide relevant knowledge and information to consumers so as to assist them with decision-making, especially in extended problem solving.

(e). **Attitudes**: Behaviour is strongly influenced by attitudes toward a given brand or product. An attitude is simply an overall evaluation of an alternative, ranging from positive to negative. Once formed, attitudes play a directive role on future choice and are difficult to change. Nevertheless, attitude change is a common marketing goal, as you have seen in Chapter 6.

b. Environmental Influences:

In addition to individual variables, the decision process behaviour of consumers is also influenced by environmental factors which include culture, social class, family, personal influence and situation

(a). **Culture:** Culture refers to the values, ideas, artifacts, and other meaningful symbols that help individuals communicate, interpret, and evaluate as members of society. Chapter 10 provides a comprehensive overview of cultural issues from both a global as well as domestic perspective.

(b). **Social class:** Social classes are divisions within society that comprise individuals sharing similar values, interests, and behaviours. You have also seen this discussed in chapter 9. Socioeconomic status differences may lead to differing forms of consumer behaviour, say for example, the types of beverages served, the make and style of car driven, the kind of food liked, and the styles of dress preferred

(c). **Family**: Since the field of consumer research was founded, the family has been a focus of research. As you have learnt in earlier chapters, the family often is the primary decision-making unit, with a complex and varying pattern of roles and functions. Cooperation and conflict often occur simultaneously with interesting behavioural outcomes.

(d). **Personal influence**: As consumers, those with whom we closely associate often affect our behaviours. This is referred

to as personal influence. Consumers often respond to perceived pressures to conform to the norms and expectations provided by others-seeking and taking their counsel on buying choices, observing what others are doing as information about consumption choices, and comparing their decisions to those of others.

(e). **Situation**: Behaviours change as situations change. Sometimes these changes are erratic and unpredictable, such as job layoff, and at other times, they can be predicted by research. Situation is treated as a research variable in its own right and is discussed in various chapters.

c. Psychological Processes:

At the end, those who wish to understand and influence consumer behaviour must have a practical grasp of three basic psychological processes:

(a). **Information processing:** Communication is a bottom-line marketing activity. Therefore, consumer researchers have long been interested in discovering how people receive, process, and make sense of marketing communications.

(b). **Learning**: Anyone attempting to influence the consumer is trying to bring about learning, the process by which experience leads to changes in knowledge and behaviour. Learning theory is relevant, especially for those products and services bought on the basis of relatively little reflection and evaluation.

(c). **Attitude and behaviour change**: changes in attitude and behavour are an important marketing objective that reflects basic psychological influences and have been the subject of decades of intensive research.

Activity 1

A company is planning to introduce a Business daily in the Indian Market. As a marketing consultant to this company, what motivational, perception and attitudinal characteristics will you consider for devising the four 'P's for this product.

i.   Product

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ii.   Price

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iii.   Promotion

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iv.   Place (distribution)

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v.   Kindly repeat this activity for a service of your choice such as banking product.

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2. Types of decision behaviour

Sometimes consumers undertake a complex decision process requiring substantial amounts of time and energy. In situations in which consumers are making a decision for the first time, actions must be based on some form of problem solving. When this process is very complex, it is called **extended problem solving (EPS). Limited problem solving (LPS),** however, represents a lower degree of complexity. At the lowest end of the continuum stands what is known as **routinised response behaviour (RRB)**

1.1 Initial Purchase

We will now distinguish these three major types of buying behaviour:

(1) Routinised response behavior (RRB)/ Habitual-buying behavior: This is the simplest type of behaviour. This occurs when the consumer already has some experience of buying and using the product. Usually, this kind of behaviour is adopted for the purchase of low cost, frequently used items. In such cases the buyers do not give much thought, or search and also do not take a lot of time to make the purchase. Most of the time the buyer is familiar with the various brands available and the attributes of each and has a well-established criteria for selecting their own brand. The buyers are well aware of the product class, know the brands and also have a clear preference among the

brands. The degree of involvement in buying such products is low. In such a case, the marketer has to ensure two tasks: (a) The marketer must continue to provide satisfaction to the existing customers by maintaining quality, service and value. (b) He must try to attract new customers by making use of sales promotion techniques like points of purchase displays, off-price offers, etc., and also introduce new features to the products.

(2) Limited problem solving (LPS)/ Dissonance reducing buying behavior: In this type of buying behavior, the consumer is familiar with the product and various brands available, but has no established brand preference. Here the buyer is more complex as compared to routine buying behavior because the consumer is confronted with an unfamiliar brand in a familiar product class. The consumer would like to gather additional information about the brands to arrive at his brand decision. For instance, a housewife buys refined vegetable oils for her cooking and she may be familiar with the concept of vegetable oil, vanaspati and ghee. She may also know that Dhara, Dalda and Sundrop are some of the leading brands available. But to establish her choice of brand, she would like to check with her friends and regular store about the attributes of each. This buying behavior as described limited problem solving because the buyers are in a situation where they are fully aware of the product class but not familiar with all the brands and their features. Limited problem solving also takes place when a consumer encounters an unfamiliar or new brand in a known product category. The housewife, who buys refined vegetable oil, on her next visit to the market, sees a new brand of oil, Saffola. Apart from buying a new brand, this brand of oil also claims the unique attribute of being low in cholesterol. To arrive at a decision, whether or not to buy this brand, the housewife needs to gather information about the new brand, which will allow her to compare it with the known brands. Here the marketer's job is to design a communication programme, which will help the buyer to gather more information, increase his brand comprehension and gain confidence in the brand.

(3) Extensive problem solving (EPS)/Complex buying behavior: This buying is referred to as a complex buying behavior because the consumer is in an unfamiliar product class and is not clear about what criteria to consider for buying. Extensive problem solving occurs when the consumer is encountering a new product category. He needs information on both the product category as well as the various brands available in it. This kind of decision is the most complex type. For instance, you may become interested in purchasing a Color Television set to replace the existing black and white one. You may have heard of the various brand names like BPL, Akai, etc. but lack clear brand concepts. You do not know what product attributes or features to consider while choosing a good television set. So yours is an extensive problem solving.

The marketing strategy for such buying behavior must be such that it facilitates the consumer's information gathering and learning process about the product category and his own brand. The marketer must understand the information gathering and evaluation activities of the prospective consumers. They have to educate the prospective buyers to learn about the attributes of the product class, their relative importance and the high standing of the marketer's brand on the more important brand attributes. The marketer must be able to provide his consumer with a very specific and unique set of positive attributes regarding his own brand, so that the purchase decision is made in his favour. N other words, the marketing communications should be aimed at supplying information and help the consumer to evaluate and feel good about his/her brand choice.

The concept of EPS is most applicable to new products. The product may be new at the generic level e.g., Good Knight Mosquito repellant mats or it may be an established product concept but new for a particular consumer. IN case of a new product concept like ready to cook instant snack, the entire consumer universe is unfamiliar with the product. The marketer has to spend large amounts of money in educating the consumers about his product. The consumer in turn need a great deal of information before they can take a decision; and the decision process takes a longer time. On the other hand, you may have the situation where the product concept is well understood by a majority of the consumers, but it is being bought or used by a particular consumer for the first time. To take a very simple example, a tribal who is exposed to the concept of toothpaste for the first time in his life will seek a lot of information and take a long time to decide. Because fro him, buying a toothpaste is an EPS behaviour, whereas for most of us it is simply Routinised response behaviour.

1.2 Repeat Purchases

Most purchases are repeated over time. When repeat purchases occur, there are two possibilities: (a) repeated problem solving, and (b) habitual decision-making.

(a) Repeated Problem solving: Repeat purchases often require continued problem solving. Several factors including dissatisfaction with a previous purchase resulting in a brand switch or retail stock outs when the retailer doesn't have product available can lead to this outcome.

(b) Habitual decision making: Habitual takes different forms, depending on the decision process followed in the initial purchases:

- Brand loyalty/Company loyalty: Consumers have certain expectations about the products they buy and the retailers from whom they buy. The satisfaction that consumers experience when their expectations are met or exceeded often results in loyalty to that product or retailer. For the most part, consumers want to reward these companies with continued use over time—that is, brand or company loyalty, which can be highly resistant to change.

- Inertia: There are certain categories of products in which there is limited brand loyalty, for instance toothpaste. Where any degree of loyalty does not exist, it mostly consists of several brands, all of which are about equal. Buying habits of this type are based on inertia and are unstable. Although there is no incentive to switch, this

may occur quite when prices are lowered with a coupon or another brand is promoted as offering something new.

1.3 Impulse Buying

Impulse purchases are the least complex form of LPS but differs in some forms important ways. This kind of buying may be explained as an unplanned, spur-of-the-moment action triggered by product display or point-of-sale promotion. The main characteristics of Impulse buying are:

- A sudden and spontaneous desire to act accompanied by urgency.
- A state of psychological disequilibrium in which a person can feel temporarily out of control.
- The onset of conflict and struggle that is resolved by an immediate action.
- Minimal objective evaluation exists-emotional considerations dominate.
- A lack of regard for consequences.

Although there is an absence of the careful reasoning of EPS, there is not the indifference that accompanies LPS. A high sense of emotional involvement and urgency, in effect, short-circuits the reasoning process and motivates immediate action.

1.4 Variety Seeking

Consumers often express satisfaction with their present brand but still engage in brand switching. The motive is variety seeking, which occurs most often when there are many similar alternatives, frequent brand shifts, and high purchase frequency. It can occur simply because someone is bored with his or her current brand choice, or it can be prompted by external cues as store stock outs or coupons that promote switching.

Number of Brands Purchased in a given time period

		SINGLE	MULTIPLE
Consumer commitment	HIGH	Brand Loyalty	Variety Seeking
	LOW	Repeat Purchase behaviour	Derived varied behaviour

Fig 13.1 Categories of purchase behaviors

Fig 13.1 shows four categories of purchasing patterns, ranging from brand loyalty to variety seeking. It incorporates factors such as consumer commitment or loyalty to brands and the number of brands purchased in a particular time period.

Factors influencing the extent of problem solving

Each decision you make involves an elaborate mental thought process, a degree of active reasoning, though on the surface it may not always seem to be so. This may be because over a period of time you have taken certain decisions so many times that they now seem to be made almost automatically but that is not true at all. Even your daily decision of buying a loaf of bread involves the element of active reasoning as buying a new sofa set for your drawing room. However, in the former case, the extent and intensity of active reasoning may be much less as compared to the latter case.

In the case of bread, the only decision variables may be which brand, quantity and retail outlet. But in the case of buying a sofa set the decision variables are far more in number. These may be:

- Ready-made or made to order
- From a furniture shop or to be built at home
- Type of material for frame: wood, steel, aluminum
- Type of material for cushion: cloth, rexine, leather
- Design: with or without armrests, height, depth of seat, seating capacity, loose or fixed cushion.

Thus, depending on the type of decision being made, the degree and strength of active reasoning will vary.

There are three factors, which influence the degree of active reasoning that is undertaken by the consumer in his process of decision-making. These are:

i.   Involvement

ii.   Alternative differentiation, and

iii. Time pressure

i.   **Involvement:** The degree of personal involvement is a key factor in shaping the type of decision process that consumers will be followed. **Involvement** is the *level of perceived personal importance and/or interest evoked by a stimulus within a specific situation*. When a product is perceived to be of great importance to the customer, such as personal clothing, or its purchase involves a great deal of money or risk such as jeweler, car, house, company shares, the level of involvement in making the decision is likely to be very high. The consumer is likely to spend a great deal of time before arriving at the final decision. In contrast, when buying items which do not reflect much on the consumer's personality or their purchase involves small amounts of money or the risks associated with them is not high, the degree of involvement of the consumer is likely to be low. Products such as shoes, polish, toilet soap, toothpaste, biscuits etc. would fall in this category.

Several factors exist that determine the degree of involvement consumers have in making a decision. Some of them are as under:

(i). *Personal factors*: The degree of involvement tends to be higher when the outcome of the decision affects the person directly. Personal factors include self-image, health, beauty, or physical condition. Without activation of need and drive, there will be no involvement, and it is strongest when the product or service is perceived as enhancing self-image. When that is the case, involvement is likely to be enduring and no function as a stable trait, as opposed to being situational or temporary. For example, the purchase of the wedding trousseau, tends to be a high involvement decision because your wedding is a special occasion and it also affects directly your self-image and looks. A consumer's physical handicap may also affect how involved he or she is in buying a home. Are there steps leading up to the house? Is there a bedroom on the first floor, and are doorways wide enough to accommodate a wheel chair?

(ii). **Product factors**: Products or brands also become involving if there is some perceived risk in purchasing and using them. Many types of perceived risks have been identified, including physical (risk of bodily harm), psychological (especially, a negative effect on self-image), performance (fear that the product will not perform as expected), and financial (risk that outcomes will lead to loss of earnings).

As is logical, the greater the perceived risk, the greater the likelihood of high involvement. When perceived risk becomes unacceptably high, there is motivation either to avoid purchase and use altogether or to minimize risk through the search and pre-purchase alternative evaluation stages in extended problem solving. For example, we may become highly involved in the choice of a doctor, especially when surgery is required, because of the high-perceived risk.

(iii). Situational factors: Situational or instrumental involvement includes factors such as whether the product is purchased for personal use or as a gift, and whether it is consumed alone or with others. Situational involvement changes over time: it may be strong on a temporary basis and wanes once purchasing outcomes are resolved.

This is usually the case with fads such as trendy clothing items in which involvement is high initially but quickly diminishes once the item is worn and fashions begin to change. There also are times when an otherwise uninvolving product takes on a different degree of relevance because

ii. **Differentiation:** When the consumer perceives that the various alternatives which are available are very different from one another in terms of their features and benefits offered, he is likely to spend more time in gathering information about and evaluating these different features. On the other hand, in case of products which are not very different from one another either in terms of their features or benefits offered, the consumer is bound to perceive them as being almost the same and buy the first available product/brand which satisfies his minimum expectation. He will not like to spend much time in evaluating the various alternatives. The various brands of washing powder available in the market today are an excellent example of low level of differentiation with the consumer perceiving the different brands to be offering almost identical benefit. All the brands such as surf, Ariel, Tide, Rin, Nirma, etc., look similar with identical packing and carry almost the same price tag.

Till a few years ago the branded shoes was highly undifferentiated with Bata offering standard options to consumers in terms of styles of shoes. Then came the different players in this market like Woodlands, Liberty, Action, and a host of other multinational brands creating on the way a multitude of segments in the otherwise staid shoes market like formal, casual, sports shoes etc.

iii. **Time pressure**: When you are under pressure to make a decision, you cannot afford to spend a long time finding out about the various products or brands. You would probably buy whatever is readily available. While traveling your car tyre busts and you don't have a spare and hence you need to buy a new one. At that time you would buy the brand that is available at whatever price without giving it too much thought. But under a different situation, when you need to buy new tyres, you would certainly like to find the features of nylon and radial tyres and evaluate various brands e.g., Modi, MRF, Dunlop and Apollo etc. on their individual advantages and disadvantages.

Activiity 1

a. For each of the product/service given below, identify whether the purchase decision involves a high or low degree of involvement under normal circumstances:

   i.   Car tyre
   ii. A pair of sneakers
   iii. Restaurant
   iv. Toothpaste
   v.   Motorcycle
   vi. Microwave
   vii. Sweater
   viii. VCD Player
   ix. A bottler of Pepsi
   x.   Book Shelf

a. In respect of the above products, record which differentiated alternatives (brands) are available in the market?

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Key Terms

- Individual differences
- Environmental influences
- Psychological processes.
- Demographics
- Psychographics
- Values
- Personality
- Consumer resources
- Involvement
- Alternative differentiation
- Time pressure
- Variety Seeking
- Impulse Buying
- Habitual decision making
- Repeated Problem solving
- Repeat Purchases
- Psychological processes
- Extended problem solving (EPS)
- Limited problem solving (LPS)
- Routinised response behavior (RRB)
- Habitual-buying behavior
- Dissonance reducing buying behavior
- Complex buying behavior

Points To Remember

Variables shaping the decision Process

- Individual differences

- Environmental influences

- Psychological processes

Individual differences

- **Demographics, psychographics, values and personality**:
- **Consumer resources**
- **Motivation**
- **Knowledge**
- **Attitudes**

Environmental influences

- **Culture**
- **Social class**
- **Family**
- **Personal influence**
- **Situation**

Psychological processes

- **Information processing**
- **Learning**
- **Attitude and behaviour change**

Factors influencing the extent of problem solving

- i. Involvement

- ii. Alternative differentiation, and

- iii. Time pressure

Types of decision behaviour

- Initial Purchase
  - **Routinised response behavior (RRB)**
  - **Limited problem solving (LPS)**
  - **Extensive problem solving (EPS)**
- **Repeat Purchases**
  - **Repeated Problem solving**
  - **Habitual decision making**

Involvement

- *Personal factors*

- **Product factors**

- **Situational factors**

A college student has to purchase a new personal computer. What factors does he consider before purchasing it? Draw a flowchart to explain his decision making process? What factors might cause the student to experience post purchase dissonance? How might the student try to overcome it? How can the retailer who sold the computer help reduce the student's dissonance? How can the computer's manufacturer help?

Notes

LESSON 38:
MODELS OF CONSUMER BUYING

Introduction

A model is very often referred to as an abstract representation of a process or relationship. We tend to hold various models in our minds, which allow us to make sense of the world, and also help to predict the likely course of events. To put it simply, models help us in the development of theories, understanding complex relationships, and providing the framework fro discussions and research work. IN this chapter we have made efforts to examine the various models having relevance to the consumer decision process. The primary concern is to use the models to understand consumer behaviour. Consumer behaviorists as well as marketers are interested in understanding how and why certain decisions are made.

Objectives

After going through this lesson you should be able to:

- Understand the importance of Consumer modelling in decision-making.

- Explain the different simple models used in decision-making

- Explain the Howard-Sheth model of decision making

- Analyse the Engel-Kollat-Blackwell model of decision making

1. Consumer Decision-Making

Since the 1960s, the study of consumer behaviour has focused largely upon consumer decision-making processes. Influenced by cognitive psychology, a number of so-called modal models (or "box-and-arrow" models) have been proposed, presenting the various stages the consumer goes through when choosing a product to buy or store to shop in, presented in a flow-chart format (e.g. Nicosia, 1966; Engel *et al.*, 1995). A rather stylised summary of these modal models might look something like this:-
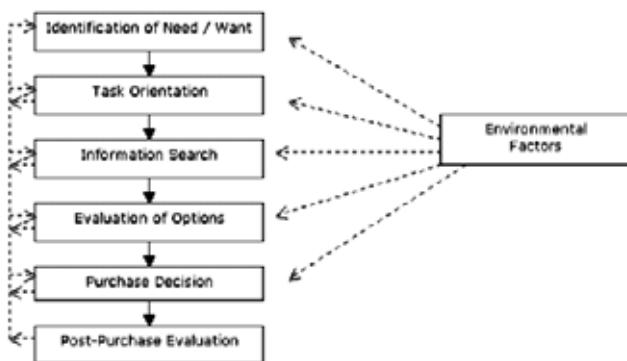
Fig 14.1

In the left-hand column above, we can see that the decision process begins with the consumer recognising that he or she needs or wants to buy an item. Attention is then devoted to the task in hand and information gathered. The consumer evaluates the options available, makes his or her choice and purchases the product. At any stage in the process, events encountered at one stage may cause the consumer to revert to a previous stage; for example, during evaluation, none of the options available may prove satisfactory and the consumer may therefore decide to reassess the initial need and begin the process again for a completely different alternative solution. Conversely, with very common or repeat purchases, particular stages (e.g. information search) may be passed through without conscious attention being applied (i.e. may be automatised) because the information required is already available in memory. Finally, note how the decision process doesn't end with purchase - the extent to which a purchase is deemed successful or unsuccessful will feed back to influence future purchase decisions.

To the right of the diagram, we see environmental factors, which may influence the decision-making process at any stage. This category would include a whole array of variables, ranging from exposure to advertising and promotional materials through to store atmosphere, crowding and the opinions of significant others.

The diagram is a summary of the models available which, however complex they may appear, all hypothesize the same linear decision-making process. There is no one single universally accepted model, each having its own particular strengths and weaknesses. In a way, this is probably a reflection of the many different consumer motivations highlighted above - particular models being stronger than others for specific types of shopping.

There are two main problems with modal models such as this when it comes to their usefulness to the marketer. Firstly, the "box-and-arrow" approach is rather descriptive. It tells us the decision-making stages the customer negotiates, but tells us very little about how the marketer can actually *influence* these stages to make his or her product/service the preferred option.

The second weakness of this approach is closely related to the first. Note how the environment is merely "lumped together" to the right of the diagram. When we consider all of the factors this encompasses (store location, layout, advertising, prevailing socio-economic conditions, etc.), this seems woefully inadequate. Moreover, the location of the environment box separate to the decision-making process gives the impression of the environment as simply being something "out there", divorced from the individual shopper. The reality, of course, is that

consumers are a part of the environment, interacting with environmental factors and influencing each other.

A more accurate model of consumer decision-making would probably locate the environment "box" as follows: -
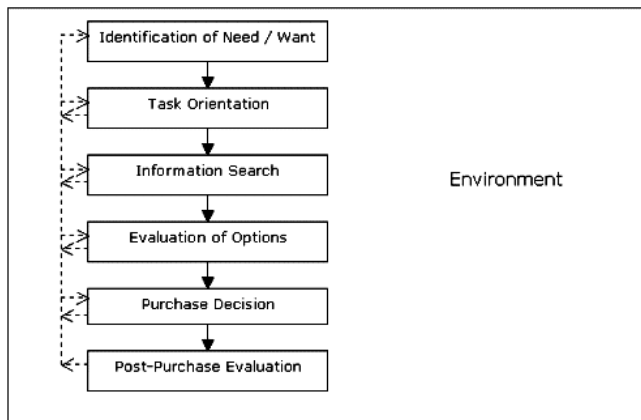

Fig 14.2

As you can see, this revised model locates the decision-making process within the environment box, recognising that the individual is part of the environment.

1.1 Consumer Decision Making Models

Types of consumer behaviour models:

- Simple models
  - Black Box models
  - Personal variable models
  - Personal Variable/Post Purchase Satisfaction model
- Comprehensive models
  - Engel, Blackwell and Miniard
  - Engel, Kollat and Blackwell
  - Howard-Sheth
  - Nicosia

Perhaps the most useful set of categories is that of *low, medium or high level models*. In this case the level refers to the level of complexity - so a low level model would be a relatively simple representation of the phenomenon while a high level model of the same event would be much more complex and detailed and include more variables.

One of the most cited models is that of the 'Black Box' (see Soloman, Bamossy & Askegaard, 1999). Black box models focus solely on inputs and outputs and do not

consider internal variables. They suggest that a given stimulus will prompt a particular response, within this processing centre; memory, goals and expectations are considered. Simple black box models are based on identifiable observable and measurable variables, however they are unable to predict or explain behaviour.

Over time more comprehensives models have been proposed. One of the earliest decision making models is the 1966 Nicosia Model cited in (Dubois, 2000). The model is split into four key

fields: (1) The source of a message to the consumers attitude (2) The search for and evaluation of alternatives (3) The act of purchase (4) Storage and the use of the purchased product. The model attempted to demonstrate how the company influences the consumer through its promotional and advertising activities. However, criticisms have been raised about this model, include its descriptive content, its brevity, that it has never been fully tested and is now considered historical (Dubois, 2000). (Engel et al, 1995) developed a model to explain consumer behaviour and highlighted five stages of the decision making process: (1) motivation and recognition of need (2) information search (3) evaluate alternatives (4) purchase (5) outcomes. Motivation, often referred to as need recognition, is individual to every consumer, and focuses on the three key determinants, information stored in the memory, individual influences and environmental factors. Consumers will consider the gap between the ideal state and the current perceived state, thereby deciding whether to progress forward to the next stage of the process, information search.

Search takes two forms internal and external. The dependence on the two search modes will vary in relation to the need recognised and the individual situation. Although information search is primarily conducted internally, with the extreme level of involvement necessary to make a university choice it is likely that an external search would be used. It could be suggested that when students enter the university decision making process they adopt a satisfying approach. Research by (Bakewell & Gibson-Sweet, 1998) suggested that students make university decisions on incomplete information. This is likely as students are busy, with work and exams and eventually get overloaded with information, so stop searching. Furthermore, as educational choice is generally a one-off, the search is likely to be quite extensive. This is supported by (Assael, 1992) who reports that, buyer decision making process vary with the type of decision, and that the more complex the decision, the more buyer deliberation. Obviously university choice is one of the most important decisions that needs to be made in a students life with extensive decision making taking place, where a significant level of effort is put into identifying key criteria and moving through the decision making process. Furthermore, if there are widely different alternatives from which to choose from, then consumers are likely to get more involved in the decision making process (Wells & Prensky, 1996). However, consumers are not always rational and do not consider all the alternatives. (Foxall, 1980) when suggesting the limitations to decision-making models, states that the models assume an unrealistic degree of consumer rationality. Often only an evoked set is considered (Blythe, 1997) this being a limited number of alternatives. When evaluating alternatives, belief, attitudes and intentions are considered. This will then reduce the alternatives to the most suitable options available. Alternative evaluation will also be affected by individual differences, such as motivation, attitudes and knowledge as well as environmental influences. It is likely that potential students base their evaluation on a limited number of key criteria as opposed to looking at whole university offerings. At the final purchase stage new factors may change the initial decision. For instance in an academic decision the issue of A level exam grades is likely to

play an important role. Outcome can either be satisfaction or dissatisfaction. When satisfaction is prevalent then the recognised need has been met and satisfied. However, if this is not the case post-purchase cognitive dissonance may occur where different attitudes have to be weighed up as part of a decision, and the negative features of the chosen alternative start to be apparent, this then causes dissatisfaction. Consumers can try to ignore this, change the decision made, or concentrate on the good points of the decision made to try and reduce the dissatisfied feeling.

Models of Consumer Behaviour

1. **Economic model:** Economic model of consumer behaviour is one-dimensional. This means that buying decisions of a person are governed by the concept of utility. Being a rational man he will make his purchase decisions with the intention of maximizing the utility/benefits.

   Economic model is based on certain predictions of buying behaviour (a) price effect-lesser the price of the product, more will be the quantity purchased (b) Lesser the price of the substitute product, lesser will be the quantity of the original product bought (substitution effect) (c) More the purchasing power, more be the quantity purchased (income effect).

2. **Learning model**: Classical psychologists have been interested in the formation and satisfaction of needs and tastes. They argued that living beings were influenced by both innate needs such as the primary needs of hunger, thirst, sex, shelter and learned needs like fear & guilt. A drive or internal stimulus which when directed towards a drive-reducing object becomes a motive. The various products or service will act as a stimulus to satisfy drives. For example, if you are a hungry you will be driven towards food, which after consumption will reduce the drive and provide and provide satisfaction.

3. **Psychoanalytical model:** This model is based on the work of psychologists who were concerned with personality. They were of the view that human needs and motives operated at the conscious as well as subconscious levels. Sigmund Freud developed this theory. According to him human behaviour or personality for that matter is the outcome of three components, viz., (a) 'id' which is the source of all psychic energy which drives us as action (b) 'super ego' which is the internal representation of what is approved by the society (c) 'ego' which is the conscious directing 'id' impulses to find gratification in a socially acceptable manner. Thus we can say that human behaviour is directed by a complex set of deep-seated motives.

   This means that buyers will be influenced by symbolic factors in buying a product. Motivational research has been involved in investing motives of consumer behaviour so as to develop suitable marketing implications accordingly. Marketers have been using this approach to generate ideas for developing product-design, features, advertising and other promotional techniques.

4. **The sociological model:** According to this model the individual buyer is a part of the institution called society. Since he is living in a society, gets influenced by it and in turn also influences it in its path of development. He is playing many roles as a part of various formal and informal associations or organisations i.e., as a family member, as an employee of a firm, as a member of a professional forum and as an active member of an informal cultural organization.

1.1 The Howard Sheth Model of Buying Behaviour

This model serves two purposes:

1. It indicates how complex the whole question of consumer behaviour is.

2. It provides the framework for including various concepts like learning, perception, attitudes, etc., which play a role in influencing consumer behaviour.

Inputs: In the Howard Sheth theory, the most significant stimulus affecting the buying behaviour are the information cues about the characteristics of the product. These cues may be *significative* if it comes to the buyer from the product itself when he is involved in a shopping activity. A similar set of cues, which are *symbolic* in nature, may also act as information sources. Both these significative and symbolic information cues represent the firms marketing efforts. The broad or product characteristics acting as information cues are quality, price, distinctiveness, service and availability. There are impersonal sources like mass media communications and advertising, over which the firm has no control. However, the information sources also include sales and service personnel who can add and help the marketing efforts of the firm. The third source is social information cues which could affect buying behaviour towards the product or brand and these include family, friends or other members of the group with whom buyer comes into contact or to which he aspires to be in. The social source is personal and the company marketer has no control over this source.

	Personal (social)	Impersonal
Commercial	a) Salesmen b) Service personal	a) Product (Significative) b) Advertising (Symbolic)
Non-commercial	a) Family b) Reference groups c) Social class	a) Print med (New Stories) b) Independent testing such as consumer reports.

Fig 14.3   Information Sources

Perceptual Constructs: This refers to all the complex states or psychological processes (perception) and how the individual deals with the information cues received from various sources. It can be seen that all information available is not attended to (attention) and may not always be crystal clear in its meanings (ambiguity). Although the individual may be engaged in an overt search for information, sometimes he/she may be bombarded with unwanted information. Moreover, any information cues to which the individual may attend may be distorted (perceptual bias) as result of his own frame of reference.

Learning Constructs: The second set of hypothetical constructs in this theory are more complex and numerous. 'Motives' refers to the goals the individual attempts to achieve through his/her buying behaviour. These goals are derived from the various drives (needs), which may be acting as a cue for his/her motive.

More closely related to the buyers intention in his attitude towards the product/brand. Whether he/she formed a positive attitude towards the product/brand.

Other learning constructs include 'brand comprehension' i.e., knowledge/awareness about the brand characteristic features that forms the basis for the buyers evoked set of alternatives; choice criteria, and the confidence the individual has about his/her brand comprehension, attitudes, or intentions. Finally, the model includes a construct, 'satisfaction'. This refers to 'feedback' mechanism, i.e., the post purchase and post use evaluation of the output of the process.

Output: The purchase decision is the output. If after using the product, the consumer is satisfied with it, this will reinforce his positive attitude and purchase intent about the product and brand. Also, the positive attitude makes the consumer more attentive to the product/brand's stimuli and further increases his brand comprehension.

If the consumer is dissatisfied with experience of using the product/brand, it will trigger off a reaction of negative attitude, low attention to the product stimuli. Poor brand comprehension and negative intention to purchase.

Exogenous or external Variables: This theory also includes a number of variables, which are not explained but have a bearing on some or all of the constructs discussed above and indirectly influences the output or consumer response.

1. Social and organizational setting: Man is basically a social animal. Because of his interactions with various groups and society, they look to each other for guidance regarding what to buy, how to buy/dress, etc.

2. Social class: In order to conform to the norms of the social class to which he/she belongs, the individual will be engaged in a behaviour, which will be acceptable to the social class to which it belongs.

3. Culture: refers to the shared, somewhat consistent pattern of behaviour of a group of people. Each culture has a set of beliefs, values, etc. So the pattern of buyer behaviour will be based on a pattern of behaviour shared in a specific subset of a larger culture-a subculture trait.

4. Purchasing power/ Financial status: The money/income available for purchasing goods and services during some specific time period also plays a role in influencing the consumption pattern and thereby his buying behaviour.

2.2 Engel-Kollat-Blackwell Model

- Variables grouped into categories

  a) Stimulus inputs b) information processing c) decision process and d) variables influencing the decision process

- Strength of model

- Deals with low-involvement situations. It is suggested that in low involvement situation the degree to which the various stages in the model are undertaken decreases

- Problems with model

- No way of testing e.g. If had idea of personality characteristics how could they be applied or measured in relation to predicting buyer behaviour

- Lack of specificity i.e. variables are named in superficially plausible way but not specified in any operational detail

Engel, Blackwell, Kollat Model A Comprehensive Model of Consumer Behavior
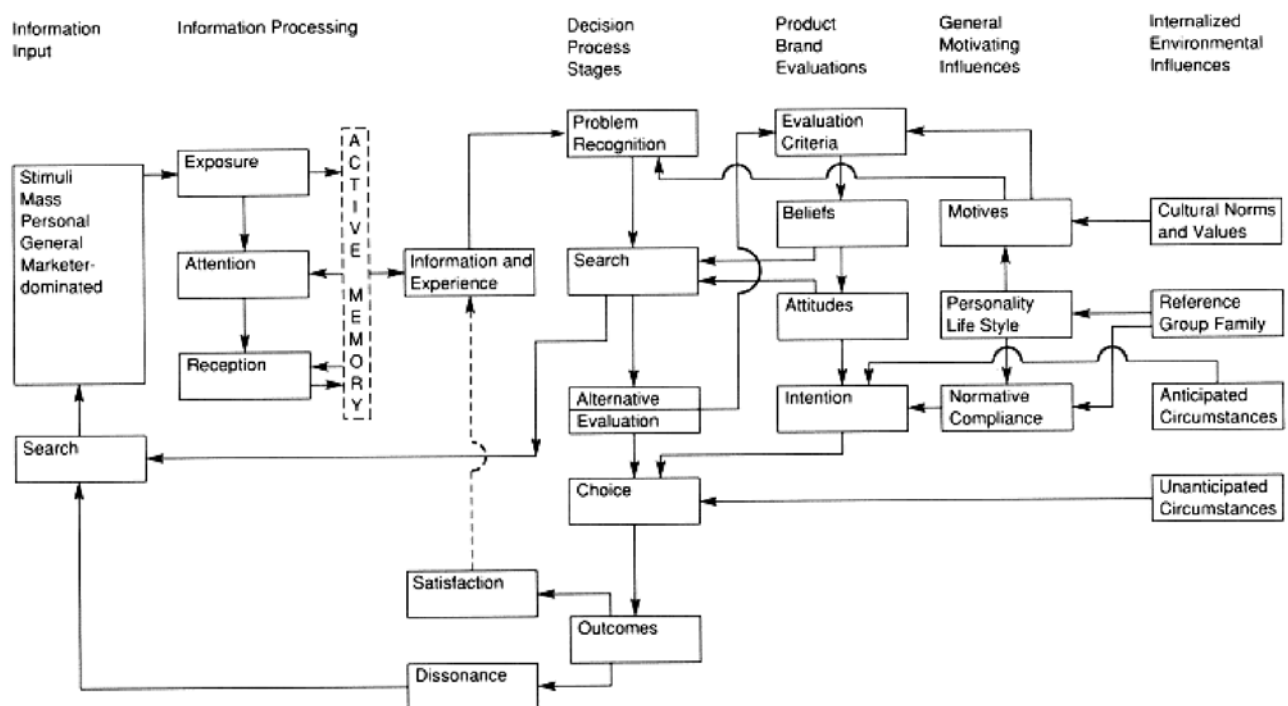
Source: Consumer Behavior, 3/e, by James F. Engle, Rodger D. Blackwell and David T. Kollat. Copyright © 1978 by the Dryden Press. Reprinted by permission of Holt, Rinehart and Winston, Inc.

Fig 14.5 Engel-Kollat-Blackwell model

(Source: J. Engel, D. Kollat and R. Blackwell, Consumer Behaviour, Dryden Press, New York, 1978)

This model talks of consumer behaviour as a decision making process in the form of 5 steps or activities. The five steps are as under:

1. **Problem recognition**: the consumer will recognise a difference between his or her actual state and what the ideal state should be. This may occur on account of external stimuli.

2. **Information search**: Initially the information available with the consumer may be consistent to other beliefs and attitudes held by him or her. While being involved in an information seeking or search stage, the consumer will try to gather more information from various sources. The individual gets exposure of the stimuli which may catch his or her attention, be received and stored or retained in memory. This method of information is selective in nature and the consumer will accept the information, which is conclusive to what is perceived by them.

3. **Alternative evaluation**: Now the individual will evaluate the alternate brands. The methods used for evaluating the various products will depend on the consumer's underlying goals, motives and personality. The consumer also has certain predetermined beliefs about the various brands in terms of the characteristics associated with the different brands.

4. **Choice**: the consumer's choice will depend on his or her intention and attitude. The choice will depend on normative compliance and anticipated circumstances. Normative compliance relates to the extent to which the consumer is influenced by other people like friends, family members etc.

Outcome: The outcome may either be positive o

Apart from these 5 steps the model also includes a number of other related variables grouped into five categories.

Information input

Information processing

Product-brand evaluation

General motivating influences

Internalized environmental influences

The Engel-Kollat-Blackwell model consist of four components:

i.   Information processing

ii. Central control Unit

iii. Decision Process and

iv. Environmental influences   (see fig 14.5)

i. **Information processing**: this component comprises the consumer's selective exposure, attention, comprehension and retention of stimuli relating to a product or brand received from marketing and non-marketing sources. As a marketer, the first step is to ensure that a consumer is exposed to your message or stimuli, pays attention to it, understands what it is all about and also remembers it.

ii. **Central Control Unit**: The stimuli thus received and retained are processed in the central control unit. The stimuli is processed and interpreted with the help of four psychological filter:

   a. Stored information and past experience about the product/brand which serves as a memory for comparing different alternatives;

   b. Evaluative criteria which the consumer uses in judging the alternatives;

   c. General and specific attitudes which influence the purchase decision;

   d. Basic personality traits, which influence how the consumer is likely to respond to various alternatives.

iii. **Decision process**: The decision process component of the model consist of:

   a. Problem recognition

   b. Internal search and evaluation

   c. External search and evaluation

   d. Purchase processes

   e. Decision outcomes

If the purchase decision is such that it requires extensive problem solving, the consumer would go through all the above five stages. In case of limited problem solving or routinised response behaviour, some of the intervening stages may be skipped and the consumer may directly reach the purchase decision.

iv. **Environmental Influences**: The environmental factors that may influence the consumer's purchase decision are income, culture, family, social class and physical situations. Depending on the specific product under consideration, these factors may have a favorable or unfavorable influence on the purchase decision.

Key Terms

- linear decision-making process
- Black Box'
- Economic model
- Learning model
- Psychoanalytical model
- The sociological model
- Perceptual Constructs
- Learning Constructs
- Exogenous or external Variables

- Purchasing power
- Problem recognition
- Information search
- Alternative evaluation
- Choice
- Information input
- Information processing
- Product-brand evaluation
- General motivating influences

Points To Remember

Types of consumer behaviour models

- Simple models
  - o Black Box models
  - o Personal variable models
- Personal Variable/Post Purchase Satisfaction model

- Comprehensive models
  - o Engel, Blackwell and Miniard
  - o Engel, Kollat and Blackwell
  - o Howard-Sheth
  - o Nicosia

Models of consumer behaviour

- **Economic model**
- **Learning model**
- **Psychoanalytical model**
- **The sociological model**

Exogenous or external Variables

- *Social and organizational setting*
- *Social class*
- *Culture*
- *Purchasing power/ Financial status*

The Howard Sheth Model of Buying Behaviour

- **Inputs**
- **Perceptual Constructs**
- **Learning Constructs**
- **Exogenous or external Variables**

Engel-Kollat-Blackwell Model

- **Problem recognition**
- **Information search**
- **Alternative evaluation**
- **Choice**

Engel-Kollat-Blackwell Model (Cont')

- *Information input*
- *Information processing*
- *Product-brand evaluation*
- *General motivating influences*
- ***Internalized environmental influences***

Notes

LESSON 39:
INDUSTRIAL BUYING BEHAVIOUR

Introduction
A model is very often referred to as an abstract representation of a process or relationship. In this chapter we are going to deal with the industrial buying process with the help of the Sheth model of Industrial buying.

Objectives
After studying this lesson you should be able to

- Understand the industrial buying process

- Explain the Sheth model of Industrial buying Behaviour

This model concentrates on the purchasing process and highlights the importance of four main factors:

(a) The expectations of the individuals making up the decision making unit

(b) The characteristics of both the product and the organisation

(c) The nature of the decision making process

(d) The situation variables

These factors are discussed more in detail:

1. Expectations within the organisation
These elements are mentioned under (1). According to Sheth, every person in the DMU brings with them, their unique set of attitudes and orientations. Their expectations will be conditioned by the individual background (1a) education (general or professional), role orientation (accountant, production manager, engineer etc.,) life style.

Their expectation will all be influenced by:

- The various *sources of information* (1 b) - (sales persons, exhibition and trade shows, direct mail, press releases, journal advertising, professional and technical conferences, trade news,

- World of mouth) and the process through which they have obtained the information.

- *Perceptual distortion* (1 d) (could be as a result of the form of communication).

- The person's previous ex*perience* (1 e), which will mediate the incoming information.

- The *active search (1* c) can be carried out by anyone listed in the DMU - purchasing agents, engineers, users, others .

2. Characteristics of the Product and the Buying Organisation
In the figure 14.2 of the model these elements are coded (2). In this Sheth talks of the actual buying process and contends that it is affected by:

The Product Specific Factors (2a) are:

- *Time pressure:* Group decision will take longer time as compared to individual ones.

- *Perceived risk: When* the decision involves risk, more members of the DMU will be involved.

- Type *of purchase* :If the type of problem is an extensive problem, then more members of the decision making unit (DMU) will be required unlike a simple repeat purchase, where a single individual can be asked to carry out the decision.

Company Specific Factors (2b) are:

- *Organizational orientation* ;-Is the firm sales and marketing oriented? Or is it technology dominated one etc., Depending on how the organisation sees itself will determine the internal power balance and influence in the DMU.

- *Organization size:* - Depending on the size of the organisation, will determine the group decision-making. If the organisation size is small, it is more likely that a single buyer will possess all the relevant information. But if the organisation is a large one, it is more likely that there will be group decision making.

- *Degree of centralization:* - Decentralized organisation involve a lot more people in the   decision making than centralized organisations, which have a centralized buying function.

3. Nature of the Decision-making Process
In the model, the elements are coded (3) Sheth has differentiated between autonomous decisions and those taken jointly by the DMU. When a decision is taken autonomously, it is usually (relatively) straightforward. However, when a group is involved in decision-making, conflict is likely to arise because of the different goals and orientations with the people within the group.

The model also devotes a section (3) on how to solve the conflict:

- Problem solving

- Persuasion

- Bargaining

- Politicking

4. Situational Variables

These elements are coded (4) in the model. Here Sheth has referred to unforeseen factors, those that fall outside the control of the decision-making unit (DMU) and could affect the purchasing organisation or the suppliers. For example - industrial relation problem, major breakdowns, cash flow problems, bankruptcy etc.

Model of Industrial Behaviour
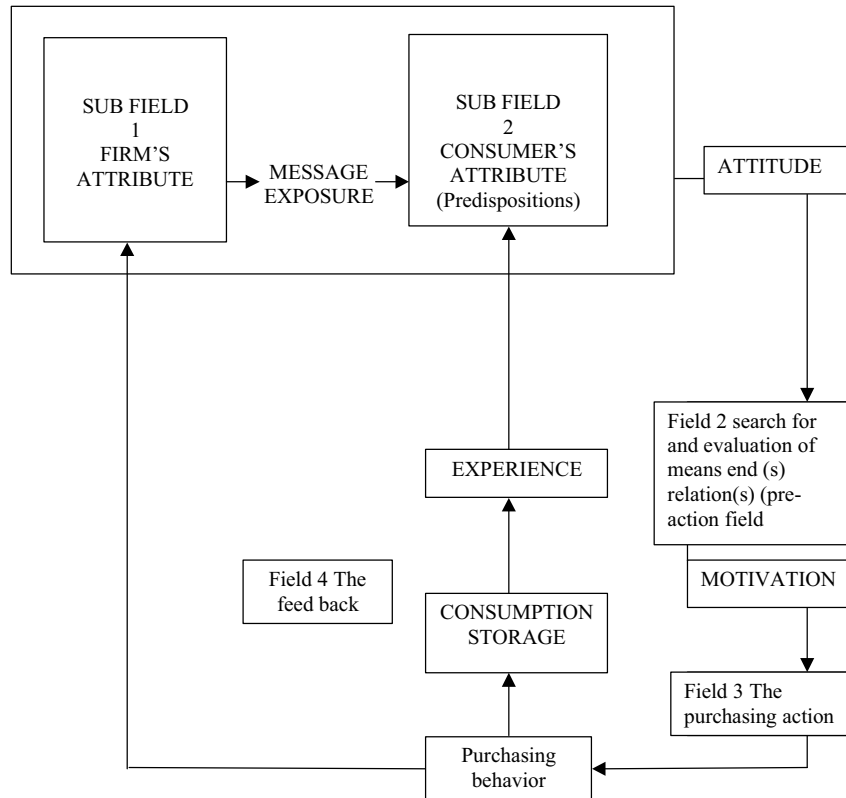
Activity 1

Identify any organisation and find out whether it is production dominated or technology dominated. Which are the key departments or personnel involved in making purchases directly related to the production process?

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Case 2

Industrial Marketing

Apex Electrical Company Ltd

Mr. Nathan, sales manager of Apex Electrical Co. Ltd, received a proposal from his regional manger at Bangalore for opening a sub-office in Chennai and was considering what the best decision would be the company's short-run as well as long-run interests. The company was in the business of manufacturing and marketing electric motors of a wide range of horse powers that could be used as a prime mover in numerous applications. The company's factory and head office were situated in Mumbai and it had branch offices at New Delhi, Kolkata and Bangalore: each headed by a regional manager.

The regional office at Bangalore was responsible for sales in Karnataka, Tamil Nadu and Kerala. The company also maintained a godown at Bangalore, which, was used as the stocking center for feeding sales to the entire region. The company's distribution network had grown over several years and as such there was no one rule by which the arrangements could be explained. In Karnataka, due to the proximity of the regional headquarters, the distribution network was closely controlled by the regional office. The company had several dealers covering sales and they all purchased goods directly from the regional office. All the dealers got a fixed discount. The ultimate price for the customers were fixed by the company. Each dealer covered a specific area, which was generally one to several districts and the company discouraged the interference of one dealer in another's territory. However, in the cities of Bangalore and Mysore, there were more than one dealer. They collectively covered the sales in the city. The company salesmen regularly contacted the dealers and the office maintained good marketing information.

In the states of Tamil Nadu and Kerala, however, the arrangement was quite different. Due to some historical reasons, all the sales in this territory were channeled through one distributor. This distributor in turn had appointed his own dealers to cover the cities of Chennai and Kochi and other districts in these 2 states. The regional office, therefore, had very little information on the exact marketing set-up in this territory and the distributor operated almost independently. On several occasion, the regional manager had attempted to bring the distributor under closer control. He had the impression that the company was not able to exploit the full potential of the regional due to the authoritarian rule of the distributor.

He occasionally received reports that the distributor was not even aware of certain important tenders floated in the region and that on other occasions he had not bothered to submit quotations in time. There were also complaints from dealers that they did not get a fair deal and would instead prefer to deal with the company directly. The sales and service personnel of the regional office used to visit the states of Tamil Nadu and Kerala only when requested specifically by the distributor. Their independent visits were generally objected to by the distributor, as it would mean by-passing him. The real problem behind this was that the distributor had, in the initial states, given considerable financial help to the company. He was also an important shareholder and thus had connections at the highest level. This did not mean, however, that the top management was prepared to sacrifice the company's interests. But at the same time they preferred to leave the distributor undisturbed.

The regional manager felt that the little pieces of negative feedback he had received could be the tip of the iceberg. However, in the absence of any information, he could not put up a convincing case against the distributor. He had always been helpless whenever some dealer working under the distributor complained to him. He felt it would seriously affect their morale if they realized that the company could not control the distributor.

He had discussed this matter at length with the sales manager, Mr Nathan realized that some tightrope waling was needed if he had to steer and clear this problem. Mr. Nathan was, however, anxious to do something about it and one idea was to open an office at Chennai, the headquarters of the distributor. While this would be for the declared purpose of helping the distributor in his marketing effort, it would also put an automatic check on undesirable practices. Moreover, the sub-office could collect more factual information that could be used to put up a convincing case against the distributor, if such a need arose. Accordingly, the regional manager had now submitted a detailed proposal for opening a sub-office at Chennai, which would look after Tamil Nadu to start with.

The company had a strict policy of insisting on the regional office to achieve a fixed ratio of sales per rupee of expense. For the Banglore office this ratio was 50 in the previous year when the sales were Rs 2 crore and expensed Rs 4 lakh. Of this, the sales in Tamil Nadu were Rs 50 lakh. The proposal stated that a sales forecast of Rs. 60 lakh could be expected in Tamil Nadu next year and estimated expenses of Chennai sub-office at Rs 1.2 lakh, thus achieving a ratio of Rs 50 sales per rupee of expense. Among other things, the details of the proposal stated the following splitting up of the expenses-Rs 40,000 towards salaries and Rs 30,000 towards traveling expenses of 2 sales personnel who would be transferred from Bangalore to Chennai.

Questions

1. What decision would you take if you were in place of Mr. Nathan?

2. Do you feel the proposal of new sub-office is economically justified against the stated policy of the company? If yes, why? If no, then how could it be made justifiable.?

Taken from the question papers of Faculty of Management, Delhi University question paper for April 1995.

Maximum time to solve this case study: 40 minutes.

Key Terms

- Decision making unit
- Situation variables
- Perceptual distortion
- Active search
- Product Specific Factors
- Time pressure

- Type of purchase
- Perceived risk
- Organizational orientation
- Organization size
- Degree of centralization
- Problem solving
- Persuasion
- Bargaining
- Politicking

Article

Discuss the following articles in class

Bearings Industry: Friction Free?

BEING heavily dependent on the automobile sector, the bearings industry has had some relief due to recent improvements in the production of commercial vehicles and two-wheelers.

However, the profitability and the bottomlines of industry majors continue to remain subdued owing to mounting competitive pressure.

If the recent developments in the industry are any indication, the bearings industry is progressing towards a more dynamic phase.

While top global companies such as SKF, Fag and Torrington have a presence in India, INA Germany recently entered the fray by setting up production facilities here.

Other global majors such as NSK and Koyo Bearings of Japan have entered the Indian market through marketing outlets.

On the other hand, the flow of cheaper imported bearings (especially from China) continues to affect business volumes of domestic producers, particularly in the lucrative replacement segment.

Against this backdrop, domestic companies are taking quite a few efforts to remain enhance business volume.

From an investment perspective, it would be safer to reduce equity exposure in the bearings industry owing to relative uncertainty pertaining to near-term growth prospects.

Moreover, the share price of top companies such as SKF Bearings, Fag Bearings and NRB Bearings have already appreciated from the levels that existed say 6-8 months ago.

Given this scenario, it would be better to book profits and pare exposures.

A fresh look at companies in the bearings industry would be warranted later if the recent pick-up in the automobile sector gets stretched for a longer period.

Piggybacking on auto sector

The demand for the Rs 2,300 crore bearings industry flows from original equipment (OE) and the replacement market.

Of the two, the OE segment accounts for about 60 per cent of the market while the replacement market chips in with the remaining 40 per cent.

As far as the OE segment is concerned, the automobile industry is the single largest driver of demand.

It accounts for about 35 per cent of the total bearings market. The electrical industry is another major driver of the OE bearings' demand. Industry majors such as SKF, Fag and NRB have a strong presence in the OE segment of the bearings industry.

Given this backdrop, it is evident that the business prospects for domestic bearings producers hinges on automobile output and industrial growth.

Toll of the slowdown

Being the single largest source of demand, the prospects of the domestic bearings industry is influenced largely by the country's automobile production.

Due to the sharp slowdown in the automobile output, the performance of domestic bearings producers was affected in 1999-2000 and 2000-01.

NRB Bearings, for instance, saw its turnover drop to Rs 137.6 crore for the year ended March 2001 from Rs 141.94 crore recorded the previous year.

The company's post-tax earnings dropped to Rs 8.31 crore from Rs 12.17 crore. The performance of other bearings companies such as Antifriction Bearings or Asian Bearings was no better.

SKF and Fag were broad exceptions to overall subdued trend. By virtue of presence across a wide spectrum of industries and the introduction of new products, both companies managed to record much improved performances compared to others in the industry.

Apart from the slowdown in the auto sector, the economic and industrial activity too was at low ebb during this period, which compounded the problem for domestic producers primarily exposed to the OE segment.

However, the improvement in commercial vehicle and two-wheeler production over the last six months resulted in a higher business volume for industry majors.

SKF, for instance, recorded a 17 jump in turnover to Rs 199.5 crore for six months ended June 2002. NRB too saw turnover grow in this period.

However, Fag Bearings saw a relatively sober trend owing to the overall slowdown in the export markets it caters to.

Profitability under stress

Though the recent improvement in auto production pushed up sales volume, the bottomlines continue to remain under pressure owing to the rise in input costs and mounting competitive pressure both from within and cheaper imports. Despite a 17 per cent rise in turnover, SKF's operating profit for the half year ended June 2002 dropped to Rs 31.66 crore from Rs 34.79 crore.

Even after accounting for a drop in income from other sources, the company's operating profit does not reflect the buoyancy in the turnover.

The rise in input cost (including steel) has played a key role in affecting profitability of domestic companies. The competitive pressure and the capacity overhang in the industry has prevented domestic majors from revising prices, especially in the OE segment.

As a result, the increase in turnover has not translated into a rise in post-tax earnings.

Where replacement is the key

In the replacement market, the bulk of the demand accrues from the industrial segment, including heavy engineering, textile machinery and consumer durables.

Unlike the automobile segment, in the industrial sector the replacement market segment is the principal driver of demand. The replacement market is also characterised by the presence of large number of players from the unorganised and the small scale sector. These producers offer products at substantially lower prices either by evading or seeking exemption from levies such as excise duty and sales tax.

As a result, the unorganised sector caters to about 15 per cent of the current bearings market demand.

Apart from the unorganised sector players, the replacement market is also serviced, to a large extent, by the imported bearings.

Imports account for about 30 per cent of the total bearings market. This could be partly explained by better product realisations in this market. Imports are presently concentrated in product segments where domestic producers do not have any presence.

Customer Is King, But Which One?

Customer Relationship Management (CRM) will help a company target its most valuable customers.

MOST chief information officers (CIOs) may believe that these are not the right times for new projects with expensive funding requirements. But this might prove myopic, especially where customer relationship management (CRM) is concerned.

The last thing an organisation would want now is to lose customers. This is the time to tighten relationships with customers. It is on the strength of these relationships that companies will survive the downturn. In fact, most market analysts are telling companies to invest in the most suitable CRM technology before the competition beats them to it.

Why is CRM strategic? Though it cannot be suggested that CRM applications can compensate for all the ill effects of a slower economy, they can help to maximise customer value. A slowing economy means customers spend less, but one of the basic aims of CRM is to gain a share of the customers' wallet so that the company gains on an overall basis.

This focus on the customer helps particularly in a tight situation, as all customers are not equal. In any customer base, there will almost certainly exist some customers who tend to cost more to serve than they are likely to return in profit. Therefore, the smart company will grow its business by managing its customer relationships in order to make each individual customer optimally profitable.

If you know your customers and prospects and how they vary by value, — revenue and/or profit potential, it makes sense to concentrate on those who are more likely to generate the most profit.

While a non-CRM user is powerless to address this reality, companies that segment and market according to a CRM strategy can grow their business cheaply by simply serving fewer unprofitable customers, all of whom can be efficiently identified and targeted. That might sound anathema to companies conditioned to the often (ab)used term "Customer is king". He still is, only this time the companies get to choose their kings.

However enterprise-wide projects require huge investments. So what it is to be done?

If your company understands that CRM is critical but the funds are not available to implement a quality capability, one possible way to move ahead could be the "release the critical funds" strategy. It requires you to think of CRM as a holistic business strategy and one way to fund a holistic CRM strategy is to create operational efficiencies in another part of the business, for e.g., in the back office.

Most companies have invested huge quantities of capital in their back-office environments. To move forward in today's economic reality, these companies need to free investments in one area of the business to fund more important business strategies such as CRM.

Companies need to view assets in two categories, strategic and non-strategic. Strategic assets are those viewed as vital to the future growth and success of the business. This does not mean that non-strategic investments are not important. It simply implies that they represent an opportunity to gain access to locked-up capital.

Strategic assets provide growth in good times and insulate against downturns, investments that strengthen relationships with customers such as CRM, sales force automation (SFA), marketing automation (MA) and customer interaction centres could be considered strategic assets, while non-strategic investments may include back office systems, desktop maintenance legacy systems or any other non-critical activity that is done in-house. After this segregation, alternative arrangements like outsourcing should be considered to reduce costs in these non-strategic areas in order to free capital for strategic IT investments.

The outsourcing alternative

Let's consider the outsourcing alternative. The outsourcing model can be implemented in two ways. The first is to let the outsourcer fund the capital required for the CRM project, for example entering into a deal with outsourced customer contact centres. This is a good option as there is no immediate cash outflow. However this option increases the total cost of ownership, as the outsourcer will charge the interest on the capital. Also this option may not be attractive for organisations that want to retain control over the assets but have funding constraints for the entire CRM initiative. The other option is to prioritise the CRM initiatives and use the available cash to fund the higher priority initiatives and postpone the others until the outsourced services provide enough savings to move ahead with other initiatives.

This option reduces the total cost of ownership, and also enables organisation to realise its CRM vision. This is more conservative approach, but then so are most CFOs. In this case

the organisation will of course have to wait until the value in unlocked through outsourcing. But selecting an outsourcing value that can be quickly realised can minimise even this downside. This alternative thus develops operational efficiencies simultaneously with the CRM capabilities.

Seeking Customers And Retaining Them

Customer Relationship Management (CRM) has become a topic of interest, especially with the onset of e-commerce. As CRM is a term that is used in a broad sense, a marketing practitioner needs to understand what CRM is, in terms of its applicability to the organisation, its impact and its benefits to customers. There is a need to understand that CRM is an overall strategy for the organisation and not just a sales tool with short-term orientation. It requires long-term planning and anything long-term requires a strong organisational commitment and appropriate investment.

CRM as a concept is as old as marketing itself. Firms in both consumer and business-to-business marketing have always (either by accident or by intent) made attempts to encourage repeat buying from consumers.

A consumer would have experienced and realised this aspect of CRM in an indirect form from grocery shops or even large outlets. In todays context, what has been added to this kind of CRM is the collaborative and co-operative aspect from the consumers end. This kind of collaborative effort could assume either a complex form in business-to-business marketing (with different buying influences) or it could just involve the consumer using a credit card sharing his personal (demographic and psychographic) information with the marketer. The CRM structure for business-to-business marketing may be different from that of consumer marketing.

The concept of CRM

CRM is a relationship process which a company can cultivate with its customer groups/segments in such a way that it would benefit both the customer and the company. The prerequisites of any CRM programme are:

1) Both the company and the customer should be willing to stay committed to the relationship that is based on mutual benefit. This is required because process changes may have to be initiated in both organisations. Hence, the top management has to be convinced about CRM in both the

companies (especially in the case of a business-to-business marketing context).

2) A non-transactional orientation on the part of the marketer. A transaction is a one-off interaction and hence CRM involves a combination of strategies that builds the relationship between the marketer and customer over a period of time (though transaction-based loyalty programmes can be formulated).

3) The marketer must be willing to invest in infrastructure required to implement CRM. The infrastructure could include Web-based hardware/software, which could effectively harness the advantages of CRM.

CRM and its linkagesAny CRM programme should be associated with the aspects of loyalty and customer satisfaction. These two aspects point out that different customer segments/groups would be interested in different dimensions of the offerings made by the marketer. The implications will depend on the manner in which loyalty programmes are planned and satisfaction parameters are monitored. The selection of the target segment (or specific companies in a business-to-business context) is also of utmost importance. This is because profitability of a CRM programme will vary across segments (or companies).

Research shows that only around 20 per cent of consumers using the frequent flier programmes in the airline industry contribute to around 80 per cent of profitability. Given the fact that these programmes cannot be stopped abruptly (should the need arise due to profitability reasons), especially when competitive airline companies are following suit, a company has to be very careful in selecting specific segments of customers even for a strategy such as frequent flier programme (common in the international airline circuit).

A company such as Tata Steel, which has invested heavily in its cold-rolled mill infrastructure, would like to select a segment such as automobiles and/or specific companies in this segment, which are conscious of the advantages of having a relationship with Tata Steel. These companies are also likely to pay a premium for the relationship, as it is likely to produce the differentiation which consumers of the end-product are likely to appreciate (for example, consumers buying cars). While there is substantial growth in the SOHO (small office home office) segment and in SMEs (small and medium enterprises), a company such as Dell Computers may decide to concentrate on large companies for its CRM programmes for loyalty and profitability. It may also be essential for a company to assess the lifetime value of a customer before formulating a CRM programme.

While loyalty and satisfaction are strongly linked to CRM programmes, the specific objective of one may have to be decided by a company before planning it. For example, reducing the cost of distribution may be the objective of a CRM programme. This may involve working out and restructuring ordering patterns, taking into consideration the consumption patterns and inventory levels at the customers end and the production systems at the manufacturers end.

Similarly, in consumer marketing, the objective of a CRM programme for a fast food company may be to increase the frequency of purchase of a food item. A promotion for the brand can be a part of the CRM programme. This would result in repeat purchase from a cross-section of consumers and they may also be satisfied with the manner in which the company has done it (for example, providing a variety of recipes with a food item, for a segment which the company believes could be loyal). Loyalty in categories such as fast foods, soaps and confectionery could be driven through innovative CRM programmes.

Apart from loyalty and satisfaction linkages, communication is a vital aspect of any CRM programme. Communication with regard to sophisticated offerings concerning the product category, the efforts of the company/brand to keep itself updated in terms of the benefits offered, satisfied customers of a CRM programme and specific benefits of a CRM programme may help a marketer keep in touch with a prospective target segment of consumers who may like to be a part of a CRM programme.

The following guidelines may enable a marketer to identify specific customer groups which may be amenable to CRM programmes.

- Business-to-business markets
- Segmentation criteria
- Percentage of Customer Profitability
- Price sensitive (no frill offering)
- Pre-sale service
- Annual Maintenance Contract and spares
- Willingness to try innovative products

The last criterion may be especially be useful to companies which operate with sophisticated technology. These companies, working with the latest technology, may want to establish a CRM programme for customers who are willing to try out innovative products, if it would benefit their applications. Xerox worked with aircraft companies (such as Boeing) to introduce its Docutech model of copiers, which is ideal to edit, copy and process several pages of data, most suited for aircraft maintenance manuals. A distinctive manual could be used for every aircraft.

A manufacturer of trucks (such as Ashok Leyland or Tata Engineering) may be interested in a CRM programme with fleet owners who own several vehicles of their make. A maintenance package can be customised for every customer depending on the number and usage of vehicles. The customer is likely to be involved in the programme if it also includes spares management. Loyalty is almost a logical sequence in this context because the customer realises that there is a link between the CRM programme and the cost savings (achieved by buying the same brand of truck) over a period of time. The customer is likely to have the benefit of dealing with the same company with regard to maintenance schedules, inter-personal relationships, reduction in breakdown due to a recurring problem because it can be anticipated and avoided and the probable lack of switching cost

for procuring spares from different companies, if trucks are bought from different manufacturers.

A company with a CRM programme is likely to give the customer enhanced priority in terms of attention apart from cost savings over a period of time. The one-to-one marketing programme, which is generally associated with consumer products, could also be effectively applied to business-to-business marketing. Procter & Gamble has a special team to service and develop its business with Wal-Mart, the largest retailer chain in the world. The Key Account Management concept, in which customer teams are employed by companies (chemicals and computers may be examples), is a kind of one-to-one marketing and when this concept is extended to a company which has multiple locations (a company marketing machinery to a consumer product company in several locations) the concept becomes National Account Management programmes. Such strategies involve extensive resource allocation to teams and in-depth planning with customer on their specific needs.

CRM and consumer products

Loyalty programmes, which are common in the airline and credit card industries, are continuity programmes. The limitation of these programmes is the dominant presence of transaction-orientation. A typical relationship programme should not be dependent on sheer transactional value. Firms should also have appropriate segments based on customer yield, which essentially point to profitability aspects. A structured and planned effort with extensive research involving several aspects of the buying process may be required to focus on the right type of segments. The best form of such loyalty programmes should combine transactional elements with information about the category and about the specific needs of the consumers. Hence, a combination of transactional orientation and one-to-one orientation (not only in terms of price but also in terms of specialised and customised needs) is likely to be effective in seeking and keeping customers. A brand such as Ponds offers customised advice on skincare to individual consumers and in the process is able to create a database of consumers. This non-transactional approach of drawing customers towards the brand could be combined with specific strategies of offering certain benefits to special consumers who have purchased the products of the brand beyond a specific value over a period of time. Frequency marketing programmes and interactive programmes could be focused on specific segments depending on the response of consumers over a period of time.

A prerequisite for CRM, especially in consumer products, is the availability of information on demographics, psychographics and spending patterns. In the Indian context, it may take a little longer for marketers to provide such information because establishing a database would depend on the penetration of credit cards and their usage at retail points. Data-mining techniques also enhance the quality of one-to-one programmes.

The Net and CRM

In a country where computer penetration and Internet penetration is low, it may be too early to discuss the impact of the Net on CRM. But it may be worthwhile to study the e-loyalty

pattern in developed markets as they offer certain interesting insights. The following aspects would be useful for e-marketers to formulate their strategies:

1. E-commerce (in B2C) should necessarily focus on value benefits. Value, in this context, could be the additional price discount, which is offered by the e-store. Retailing, the world over, is banking on the aspect of price (Wal-Mart, K-Mart and other large retailers). Amazon.coms prices are 30 to 40 per cent lower than the prices offered in brick and mortar stores. Hence, there is a need to combine information oriented non-transactional programmes with the low-price strategies.

2. Excitement in the form of exclusive launches may be required to keep online customers coming back to the store. Fabmart recently had an exclusive launch on the Net.

3. Studies show that if customer retention is increased by five per cent, profits go up by 25-30 per cent. An allied finding in research studies is that new customers cost about 20-40 per cent more than that compared to traditional retail outlets but repeat consumers spend twice as much in the second and third year than what they spend in the first six months (in certain categories). Perhaps, thats why e-stores expand their product categories even at the cost of focus. (Amazon.com deals with categories such as books, music, grocery and gift items and has the infrastructure to deal with 16 million stock keeping units.) Repeat consumers are also known to spread the word of mouse through referrals. CRM, in this context, has to show great care in segmenting customers and offerings, which are customised to these micro-niches. Micro-niches could emerge as a result of diversity in preferences across categories. Yet again, the lifetime value of customers selected for relationships becomes critical, apart from the technological infrastructure required for tracking the preferences of these customers after winning their through interactive ways.

CRM could be a very useful marketing tool if marketers are able to integrate conceptual thinking and sophisticated technology.

"EMPOWER CUSTOMERS TO SOLVE PROBLEMS"

"If you just focus on gathering information about your customers and marketing to them, and don't focus on execution, then you are not going to actually get the rewards of CRM."

Indian businesses talk a great deal about customers mattering to them. Yet, customer relationship initiatives are mostly limited to things like smiling at customers and saying 'Come again, sir' or 'Have a great day, Madame'. But is this enough, and more important, what do corporates here really need to do?

I think one of the advantages that Indians have is that they are very courteous, very outgoing and very cordial. So that's kind of step one. But from a customer relationship management (CRM) standpoint, the big shift in thinking is really getting into the customer's shoes and understanding what it is the customer is trying to accomplish, and then organising yourself so you can actually do that.

On the frontline it means that the person serving the customer needs to be empowered to make decisions and take actions that will actually solve the customer's problems. I think right now

most Indian companies, like most companies internationally, have policies that were designed to protect them from customers as opposed to policies that are designed to actually make it easy for customers. So, I think one of the things top management needs to do is look through all the policies they have and see which ones may actually be damaging to some customers and work at correcting them.

One aspect of CRM is developing customer loyalty towards the company. What about the reverse: as in how do you get the company and its employees to be loyal to customers?

What I find works the best is simple - training. The best way to do that employee training is to actually have the employees, the customers and the management all together in a room working through the issues from the customers' point of view. That's the way we use 'customer scenario mapping' to bring in a group of customers and say 'how do you want to do business with us in these different areas?' That gets everybody on the same platform and shows them exactly which policies need to be changed and how. And the employees can then see what actions they can take to improve things.

You also need to put into place a system to monitor and measure both customer satisfaction and those particular incidents that matter the most to customers, what I call 'the moments of truth'. Thus, everybody can see what the bottomline is _ what the impact is in terms of customer loyalty, increased share of wallet, increased spending on the part of that group of customers and so on.

Won't culture have something to do with the way customers give feedback to the company? It's one thing to get the customers, employees and the management in a room, but it's another thing to get the customers to give honest feedback, especially in India where people tend to be extremely polite. What does a company do in such a situation?

I have discovered that the 'customer scenario mapping' approach works really well across cultures, and have done it all over the world. The reason is because you are not just asking the customers 'What do you think?' or 'How are we doing?' What you are doing is getting the customer to stand up and objectively say 'Here's how I would ideally like my task accomplished'. And as they go through it, if your facilitation is good, you can ask them 'Is that the way you'd really like to do it?' or 'Is that the way you do it today so you don't hurt people's feelings?' And when you get a bunch of customers together and really egg them on, they will get very honest.

How does the 'customer scenario mapping' approach work?
We define a 'customer scenario' as the set of steps a customer needs or is willing to take in order to reach their desired outcome. And scenarios are different by context. So a customer who's in a hurry is going to have a different scenario from a customer who's got time to spare.

The other thing about scenarios is that at each step of the way the customer may choose to use different touch points. And what you want to do is to capture all those touch points so you can see the whole scenario. That's the reason we advocate using customer scenarios as opposed to designing business processes,

because the customer scenarios are very context-driven and they change a lot. So what you want to figure out is how you can align your business processes as customer scenarios change.

It's also a continuous process. So you pick a particular target segment of people who behave in a particular way and you'll find that three to six key scenarios are common in terms of how they interact with your firm, and you then pick the ones that are the areas of frustration for those customers. And once you've begun to fix those, you work on the next set, and the customers keep raising the bar. And once the basics are over they keep coming back and saying 'If you could do this for me it would be really good'. It's a kind of lock-in, but it's more seduction because you have shown customers that you can take care of their basic needs and now they are willing to share with you what they really want.

The other tool you've developed is the 'customer flight deck'. How does it work?
The 'customer flight deck' is designed to set the service mark for a performance measurement system that focuses only on the customer matrix. It's just a way to get a snapshot view and continuous view of the matrix around each of your customer segments. So again, we recommend that clients do a separate 'flight deck' for each customer segment. And there are four things we suggest to measure and monitor _ the customer numbers, how you're doing and building the number of customers and the depth of your relationship; how you're doing on customer retention for that group; how you're doing the quality of customer experiences of that group measured by those 'moments of truth' and the outcomes you've identified; and then how you're doing on profitability as defined by customer revenues minus cost-to-serve at the very basic.

The other thing that's very specific about this approach is that the matrix is measured in as near real-time as possible. So, the companies we work with are surveying all the time, every ten minutes if they can!

A lot of your work talks about the success of Tesco's online grocery retailing venture. On the other hand, Webvan, which was perhaps a trailblazer in online grocery retailing, landed in trouble. Why do you think this happened?

What I have noticed about Tesco is that unlike everybody else who went after the online grocery market, Tesco started with operational efficiency. It started by saying 'If we were to do home delivery on a mass scale, how do we achieve the scale in each store and not build up separate distribution systems, a separate set of warehouses and so on'.

The interesting thing about Tesco is that the system was designed by a store manager. He knew exactly what the traffic patterns were in the store, he knew how to optimise it both for customers and the employees.

So do all good CRM systems need to involve frontline employees at the design stage?
Yes, absolutely. And they also need to go all the way back through. This is where my definition of CRM is a little different and explains why I call it CMR (customer-managed relationship) instead of CRM. Because, if you just focus on gathering information about your customers and marketing to your customers, and you don't focus on execution, how you actually deliver your products and services, then you are not going to actually get the rewards of CRM. You can spend millions on CRM systems, but if you don't actually improve the efficiency and effectiveness of how you deliver those products and services, it's not going to help.

Points to Ponder

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Sheth Model of Industrial Buying

- Expectations of individuals making up the DMU
- Characteristics of both the product and the organisation
- The nature of the decision making process
- The situation variables

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