MS-503 (PART-I)

School of Management Studies and Commerce
Consumer Behaviour

UTTARAKHAND OPEN UNIVERSITY

Teenpani Bypass road, Behind Transport Nagar, Haldwani

Haldwani -263139, Nainital (Uttarakhand)

Phone : 05946-261122, 261123 Fax No. - 05946-264232

www.uou.ac.in   e-mail:- info@uou.ac.in

Toll Free No. - 1800 180 4025

MS-503 (PART-I)

DEPARTMENT OF MANAGEMENT STUDIES

Block I Understanding of Consumer Behaviour

Block II Individual Determinant of Consumer Behaviour

Consumer Behaviour

Block – I
Block Title- Understanding of Consumer Behaviour
Block – II
Block Title- Individual Determinant of Consumer Behaviour

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Course Name: Consumer Behaviour
Course Code-MS 503

Course Objective: The basic objective of this course is to develop an understanding about the consumer decision making process and its applications in marketing function of firms.

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Suggested Readings:

1.   Leon G. Schiffman, Leslie Lazar Kanuk, "Consumer Behaviour", Pearson Education, New Delhi, 2002.

2.   David L.Loudon, Albert J Della Bitta, "Consumer Behaviour", McGraw Hill, New Delhi 2002.

3.   Jay D. Lindquist and M.Joseph Sirgy, "Shopper, buyer & consumer Behaviour, Theory and Marketing application", Biztantra Publication, New Delhi 2005.

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5.   K.K.Srivastava, "Consumer Behaviour in Indian Context", Goal Gotia Publishing Co, New Delhi 2002.

6.   S.L. Gupta & Sumitra Pal, "Consumer Behaviour an Indian Perspective", Sultan Chand, New Delhi 2001.

7.   Ms.Raju, Dominique Xavedel, "Consumer Behaviour, Concepts Applications and Cases", Vikas publishing house (P) Ltd., New Delhi – 2004.

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Block – I
Understanding of Consumer Behaviour

UNIT 1 CONSUMER BEHAVIOR –AN INTRODUCTION

1.1 INTRODUCTION

Consumer behavior is the behavior that consumer exhibits during purchase or use of products i.e. goods and services in both consumer market and industrial market. The study of consumer behavior includes process of buying of individual and industry; consumer adoption process and factors affecting buying decision in consumer and industrial market. You also learn the relevance of knowledge of consumer behavior in various fields of marketing.

1.2 OBJECTIVES

After reading this unit you will be able to;

- Explain the concept of Consmer Behaviour.
- Explain the importance of Consumer Behavior.
- Understand the scope and nature Of Consumer Behavior.
- Learn factors affecting Consumer Behavior.

1.3 CONCEPT OF CONSUMER BEHAVIOR

The study of consumer behavior help us to understand the behavior of individuals and organisations during their purchase and consumption of products i.e. goods and services. The term consumer behavior is also defined as the behavior that a consumer shows in searching for products and services for purchasing and using, to satisfy their needs.

1.3.1 DEFINITIONS OF CONSUMER BEHAVIOR

According to Engel, Blackwell and Mansard,

"Consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption".

According to Walter

"Consumer Behavior is the process whereby individual decides what, where, when, how, from whom to purchase the goods and services".

According to Webster

"Consumer behavior is the psychological, social & physical behavior of potential consumers as they became aware of evaluation, purchase, consumes and tells others about product and services.

Study of consumer behavior focuses on individuals and organizational customers, how, when and where they spend their resources in purchasing of goods and services for consumption.

1.3.2 TYPES OF CONSUMERS

There are two types of customers' Individual Customer and Industrial Customer

Individual Consumer or Household Consumer: Individual consumer are the one who purchase products for their own consumption.

Industrial Consumer or Business Consumer: Industrial consumer are one who purchase the products for further production of other goods and services which they supplied to their customers.

1.4   SCOPE AND NATURE OF CONSUMER BEHAVIOR

In the modern marketing scope of consumer behavior is almost everywhere; it is because the businesses are getting more customers centric day by day. Every company tries to manufacture excessive customized products for their customers.

The scope of consumer behavior includes the answer of the following questions:

- **'What' the consumers buy?**
  Customer buys those products which they feel will satisfy their needs in best possible way.
- **'Why' they buy it?**
  Customer buys goods and services to satisfy their needs and wants.
- **'When' do they buy it?**
  Customer buys products on different occasions it really depend upon the nature of product and time of arising of need.
- **'Where' they buy it?**
  Consumer buys from various sales point i.e. nearby store, big departmental store, online etc. it depends on the customer convenience and price offered by the different channel options.
- **'How often they use' it?**
  The frequency of product use depends upon the size of family members, nature of product, taste and preference of the customer.

1.4.1 NATURE OF CONSUMER BEHAVIOR

Consumer behavior has a Process

Consumer buying behavior is a systematic process relating to the purchase decision of the customer. The customer use to follow certain steps before purchasing a product. The process has five following steps:

- Recognition of problem
- Search for information regarding products
- Evaluation of alternatives
- Purchase decision
- Post-purchase behavior

Consumer Behavior Influence by Many Factors

Consumer behavior is influence by many factors. Customer purchase was deeply influenced by cultural factors, social factors, personal factors, psychological factors, marketing factors. Each customer has different impact of these factors on them. Customer of different cultural background responds differently on certain situations. For Example Hindus like purchase colourful clothes at the time of their wedding, while Christian use to wear black and white clothes on wedding.

All Customers behave differently

Customers have different cultural and life styles which make them unique. They do not behave in the same manner. This is due to above said individual factors. For example a family might make plan to go to a hill station in holidays, while other like to visit a holy (pilgrimage) place.

Different behavior for different Products

Consumer behaves different for different product category. Customer shows high involvement in purchasing some products, while other purchased with low involvement. For Example: A customer shows a high involvement in purchasing a car while soap can be purchases in very low involvement purchasing decision.

Consumer behavior is region Specific.

The consumer of different region, states and nationality exhibits different buying behavior. Customers from urban area are different from the customers of rural area. For Example: Customer from urban area spends more on life style products as compared to the customers of rural areas for example furniture.

Essential for Marketers

It is essential for marketers to have good knowledge about the behavior of their target customers. The knowledge about their customers' behavior helps them to frame effective marketing strategies and enables them for taking appropriate marketing decisions.

Demonstrate Consumer Status

Consumer behavior is influence by the social and economic status of the consumer. A Status of the customer can also be demonstrated by its behavior. A consumer who owns a luxury car like BMW or Rolex watch considered as a person of high status.

Consumer Behavior has Influential effect

A person's behavior can influence other person's behavior. For example, a customer always tent to purchase premium brands of clothes can influence some of his friends and relatives. This is the reason the company use to endorse celebrities from sports and films to promote their products.

Consumer Behavior change with time

Consumer Behavior changes with the change of time. The change of consumer behavior depends on change in age, level of education, level of income etc. For Example, Kids prefer to wear multi-coloured clothes, but at the age of teenager they use to purchase clothes that are in fashion.

1.5   APPLICATION OF CONSUMER BEHAVIOR

Consumer behavior applies in different marketing process. Consumer behavior is the integral part of marketing strategy building, business forecasting and product and brand development.

Evaluating Market Opportunity

The study of consumer behavior helps to identify the consumers' need. Knowing the ever changing consumers' needs, it requires systematic analysis of the trends, consumption pattern, changing life style, purchasing power and other environmental influences.

For Example: The trend of increasing internet connectivity and smart phones has led to increase of online shopping of products like fashionable apparel and latest gadgets.

Target Market Selection

The selection of target market is done on the basis of overall attractiveness of the segment like size of the market growth and profitability. The profit in business can only be achieved by providing superior values to customers. The knowledge of consumer behavior enables marketers to segment the market on the basis of customer distinct needs and unique characteristics.

This gives marketers a better understanding of different groups or market segments and how they make decision of purchasing products. For example, Studies shows consumers want convenience in preparation of food at home. They buy instant food mixes and packaged food products that saves their time and energy in kitchens.

Formulation of Marketing Mix Strategy

Marketing mix a set of strategies made by companies to attract their target customers. The company has to determine the perfect mix of all marketing elements like product, place promotion and price as per the customer needs and requirements. The study of consumer behavior helps them to make the perfect blend of marketing elements (Product, Promotion Price and Place) for an effective marketing mix strategy.

Product: Product mix strategy of a company is prepared as per consumer needs. The product attributes like features, quality, packaging, colour and design are put in as per the assessed demand of the consumer.

Price: The pricing of a product is fixed on the purchasing power of the target customer. Too high price decreases the customer base and too low decreases the revenue of the company. So it is extremely necessary to fix price of the product as per the customer affordability.

 Place: The placement strategy of the company should base on the convenience of the target customer. Product should accessible to the customer at a greater ease. Study of consumer behavior makes them understand from where and how customer purchases the product.

Promotion: An effective promotion mix can only be prepared if company knows its consumer well. Promotion in basic terms is a way to communicate with the target customer. So the company needs to find out where and how they can meet customers.

 Marketing of Government and NGO's

Study of consumer behavior help in framing the marketing strategies for government projects. The frame work of Government social campaigns like education, women empowerment, child labour and health awareness (AIDS, Polio etc) environment concerns and others are based on consumer behavior. Non profit making organizations (NGO's) like UNICEF and CRY also apply the study of consumer behavior to promote their products to help for noble cause.

1.6   IMPORTANCE OF CONSUMER BEHAVIOR

- It is a Modern Philosophy to identify the consumer's needs and satisfy them more effectively than competitors. With the study of consumer behavior a company can identify their consumer needs.
- It is useful for Dealers and Salesmen as they are able to understand their target customers and become capable to perform their tasks effectively in meeting consumers needs and wants successfully. Consumer behavior thus improves performance of the entire distribution system.
- Marketing Programme become more relevant if prepared as per the behavior of customer. Its study enables companies to use organisational resources effectively.
- Study of customers' consumption patterns enables companies to adjusted marketing programme quickly, if there is any change in market condition or consumers' requirements.
- Consumer behavior can act as tool to predict market trends. It enables companies to act on opportunities of the market.
- The study of consumer behavior facilitates companies to meets changing needs of the consumers. That enables companies to retain customers for a long period. As a result of this company get more loyal customers.
- An effective study of consumer behavior also enables companies to make competitive edge over competitors by providing more customized goods and services to them.
- Developing new products can be done through accessing the needs and wants of the target consumers. The study of consumer behavior helps companies in creating a good base for developing a new product successfully.

1.7 CONSUMER BUYING PROCESS

Buying a product set successive decision taken by customer. A model developed by Engel, Blackwell and Keller , stated that customer follows a specific five step decision process while purchasing a product.

- **Problem recognition:**

Recognition of problem is the key step of buying process. Purchase is directed through the customer need when there is no need result no purchase. A need can be difference between the actual and ideal situation of the customer.

The recognition of a need by a consumer can be caused in different ways:

Internal stimuli: The physical need felt by an individual such as thirst or hunger.

External stimuli: Can be generated just by seeing an advertisement or sighting a product on the display panel of a store.

Type of needs of an individual:

Functional need: One's need related to a feature or specific product's function happens to be the answer to a functional problem

Social need: The social need drive for the social environment or for recognition in society.

Need for change: The consumer changes the old product with the new one due to change in need it happens with time.

- **Searching of Information**

The customer will search for information about the solution, once the need is identified. He will seek information regarding alternatives available to him. The level of involvement search depends on complication of the need or problem.

Internal information: The internal information is information which is already present the memory of the customer. It is formed due to past experience of the customer with the product or brand.

External information: the information which a consumer collect form the outer world is external information, it can be gather form product promotion, friends and family existing customers or form the salesmen.

- **Evaluation of alternatives**

The alternatives are evaluated by the customers that are offered to him and he chooses the one which he believes best for him. The alternatives are evaluated on two aspects. First is the objective characteristic like features and functionality. Second subjective characteristics i.e. perceived value of the brand and its reputation in the market.

- **Purchase decision**

After the evaluation of the different options, now the customer chooses the product or brand that seems most appropriate to his needs. The decision of the customer will depend on the evaluation of option in the previous stage based on the perceived value, product's features and functionalities that are important to him. The decision may also affected by such things as the

quality of his shopping experience of the store (or online shopping website), the availability of a promotional offers, return policy of products, terms and conditions for the sale.

- **Post-purchase behavior**

Once the product is purchased and consumed then the customer will evaluate the adequacy of the product with his original needs. The customer than confirm the choice made by him is correct or not. The correct decision made by customer will give him the feel of satisfaction or, on the contrary, a disappointment if the product has fails to fulfil expectations.

If the product has brought satisfaction to the consumer, he will then minimize stages of information search and alternative evaluation for his next purchases in order to buy the same brand.

1.8   NEW PRODUCT ADOPTION AND DIFFISION PROCESS

The set of decisions a customer takes before accepting a new product is called new product adoption. The obvious steps of the customer to take trial evaluate and then purchase the product.

1.8.1 ADOPTION OF AN INNOVATION (NEW PRODUCT) TURNS OUT THROUGH FOLLOWING STAGES:

- **Awareness**: Once the customer gets information about new product he becomes aware about it.

- **Interest:** Awareness leads to generate interest about the new product in the minds of customer.

- **Evaluation:** The decision of purchase of the product depends on the evaluation of the product. The customer evaluates the product benefits and decides to buy it or not.

- **Trial:** In this stage the customer tries product to decide on the utility against the needs.

- **Adoption:** Customer purchases the product and uses the product when need arises.

1.8.2 DIFFUSION PROCESS

The time period in which an innovation (new product) is communicated in a social system is called diffusion process. It is also defined as the way the different types of target customers accept and buy the new product.
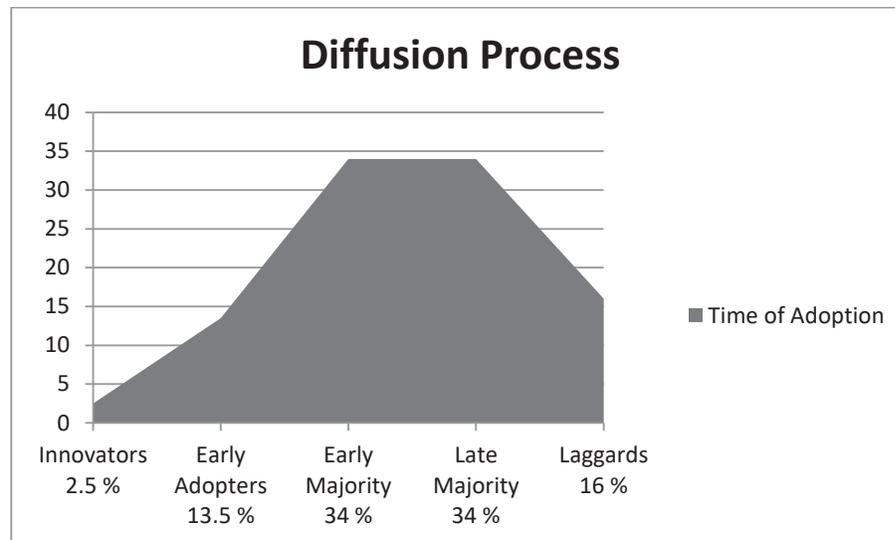
Figure 1.1 Consumer Diffusion Process by Rogers, Everett

Innovators: The first 2.5 percent of the customers who buys the product are called innovators. They are techno-savvies people.

Early Adopters: The next 13.5 percent of the customers are called early adopters they buy product after innovators. They are considered as opinion leaders in the society.

Early Majority: The next 34 percent of customers who purchased the product after early adopters are called early majority, they are considered as the first part of the mass market who buy the product.

Late Majority: The next 34 percent of the customers who purchased the product after early majority are called late majority. They are less cosmopolitan in nature.

Laggards: Laggards are those who purchased products when product reached at the maturity stage. These types of customers are the 16 percent of the target group. They are price conscious and suspicious of change by nature.

1.8.3 FACTORS INFLUENCING ADOPTION RATE

Relative advantage: Relative advantage is the benefits that a customer gets from the product i.e. price, new features, safety etc.

Compatibility: If the product suits with the life style of the customer then the adoption rate of the product will be higher.

Complexity: Complexity product lowers the adoption rate. If product is easy to understand and use, it is likely to be adopted at a high rate by the customer.

Trial of the product: The trail enhances the rate of adoption of product. More the customers trail the product, higher will be the adoption rate.

Product visibility: Greater the product visibility, faster the adaptation rate.

1.9   FACTORS AFFECTING CONSUMER BEHAVIOR

Consumer Behavior is influenced by many environmental factors. That impact result a specific pattern of purchasing and consumption of product and services.

The factors that influence consumers are cultural factors, personal factors, social factors and psychological factors. The study of consumer behavior is concerned with what and why an individual purchase a product and frequency of their purchase. Individual consumer behavior is influenced by environmental factors like social factors, cultural factors, psychological factors, and personal factors.

1.9.1 CULTURAL FACTORS

Consumer buying behavior Influenced deeply by the Cultural factors, which including the roles of buyers' culture, subculture and social class.

Culture is the most basic cause of a person's wants and behavior. Human behavior is largely learned. Every group or society has a culture and cultural influences on buying behavior it may vary greatly from country to country. Failure to adjust to these differences can result in ineffective marketing or embarrassing mistakes. (Kotler & Armstrong 2008)

The study of culture is the study of all aspects of a society. It is the language, knowledge, laws, and customs that give society its distinctive character and personality. With reference to the context of consumer behavior, Culture is defined as the sum total of learned beliefs, values, and customs that serve to regulate the behavior of members of a particular society.

Subcultures can be categories as nationalities, religion, and age groups gender of the individuals. It is generally considered as a base of segmentation by the marketers, in order to frame the communication strategy.

Social Classes are defined as the groups of people more or less homogeneous in nature. The individuals generally exhibit similar behavior if they belong to same social class. Generally Social classes are classifies in three categories lower middle and upper class. Individuals of different classes tend to exhibits different consumptions patterns.

1.9.2 SOCIAL FACTORS

Social Factors like family, reference group, social roles and status also influenced an individual behavior.

Reference group is a social group of an individual with which he belongs. This reference group influenced his behavior, generally the membership of such group related to work hobbies, age group, place of residence and social origins. It is generally observed that there is

similar consumer pattern among the members of groups. The magnitude of influence may vary and solely depend on the individual.

There are roles identified in reference group that influence the individual consumer's buying behavior

The initiator: The person who advised the buyer to purchase the product or service.

The influencer: The person who influences the buying decision is called influencer. It may be a person outside the group (singer, athlete, actor, etc.) but on which group members rely on.

The decision-maker: the person who will choose which product to buy. In general, it's the consumer but in some cases it may be another person.

The buyer: the person who will buy the product. Generally, this will be the final consumer.

Brands always look to target the opinion leaders (initiator or influencer) to spread the use and purchase of their product in a social group.

Family is the most influencing factor for an individual. An individual will evolve, acquire values and shape his personality in an atmosphere of socialization created by family. Development opinion regarding various issues like society, politics and his own desire is the result of his upbringing. Buying behavior of an individual customers too deeply influence by the family. The consumer habits and perception towards brands and products are similar to the buying habits and consumption patterns of his family.

1.9.3 PERSONAL FACTORS

Consumer decisions also are influenced by personal factors. Companies define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans for each stage.

Customer Income (Purchasing Power) Purchasing power is the decisive and deciding factor for an individual to purchase certain brand or product. It also plays a role in selecting the retailers where customer visits and the kind of brands he buys.

Age is a vital factor that decides regarding brands and products a consumer bought. A consumer does not buy the same products at the age 22 and 75 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life as single, married or having kids. For a brand it may be fascinating to spot, understand these influential factor.

Lifestyle is all daily activities of an individual, his interest, opinions and values these factors influence the buying behavior.

Education of individual directs his thinking process. Two individual of different education level have dissimilar choices and exhibits different behaviors. It is felt that individuals of good education background have more rational thinking and tends to purchase products at organized manner.

Family Life Cycle An individual has different set of demands at different points of time in his life. These different life cycles stages have a great deal of influence in buying behavior. The Stages of family life are as follows.

Stages of Family cycle	Likely preferences and need at attraction
Child	New experiences. Other children to play with paternal guidance and support.
Teenager	New experiences. Excitement, Status, more independence from parents. Other teenagers active participation
Young Adult	New experiences, freedom of action.
Young Couple	New experiences like Romance and loneliness.
Young Couple with baby	Facilities for babies. Convenience for people with babies.
Growing family	An Economic approach - for example low price family ticket for all the family.
Empty nesters	Passive participation.
Elderly	Watching rather than doing.

Table 1.1 Stages of Family cycle

1.9.4 PSYCHOLOGICAL FACTORS

Consumer decisions also are influenced by psychological characteristics such as the consumer's motivation, perception, learning, beliefs & attitude. The study of psychological factors facilitates companies to understand the consumer psychology and serve them accordingly.

Motivation is a drive of consumer to purchase a product. It is the expression of need which leads to a certain behavior. It is generally working at a subconscious level and is often difficult to measure. To increase sales and motivate consumers to purchase products, the companies reinforce a need of the product in the consumer's mind so that the customer will develops an intension to purchase the product.

Perception In this process an individual interprets the information result form a certain action that makes sense. It is the perception of a situation that decides how the person will act. Each person faces every day thousands of sensory stimuli (visual, auditory, kinaesthetic, and gustatory). It would be impossible for the brain to process all consciously. That is why it focuses only on some of them. That is why companies finding many ways to create a positive perception of customers towards their brands.

Learning is a knowledge and understanding an individual learns through its action. This results a change in his behavior with experiences with the product. If the experience of the customer found satisfactory then he will purchase product next time.

Beliefs and attitudes: A belief is an individual's confidence on something. The beliefs formed with experience, learning and influence of social groups. These beliefs also influence consumer buying behavior. An attitude is a feeling, an assessment of an object or idea and the inclination to act in a certain way toward that object. Attitudes allow the individual to develop a rational behavior against a class of similar objects or ideas.

 Check Your Progress-A

Q1. Explain the meaning consumer behavior.

Q2. Explain the need of studying consumer behavior?

Q3. Explain consumer adoption process?

Q4. Explain the personal factor that affects the consumer buying behavior?

Q5. State whether the following statement are true (T) or false (F):-

  i.   Consumer behavior changes with the changing trends.
 ii.   Information collected by friends and family is considered as internal information search.
iii.   Innovators are the customers who purchase product before early adopters.
 iv.   Life style of an individual does no influence buying behavior consumer behavior.

1.10   BUSINESS BUYING BEHAVIOR

The behavior that organisation exhibits in purchasing of products which are used further for production of other products that are sold or rented to customer. It also includes the behavior of traders like whole and retailers that purchase products for the purpose of reselling then to others customers at profit margins.

The buying behavior of organizations that buy products for business use, resell or to make other products refers as business buying behavior. Organizations consist of business, industries, retailers, government, and non-government organizations.

For example Purchase of Pizza Boxes by Pizza Hut, Purchase of tyres and batteries by General Motors.

Business Market

The Business market is the combination of all business purchase of services and goods which they purchase for reselling to their customers. Consumer market generates demand for business market.

Types of business buyers

The customers of business markets are categories in to four different types i.e. Producers, resellers, government and Institutions.

Producers

The producers are those who manufacture other products from the goods and services they purchase. For example Garment manufacturers purchase fabric for producing clothes, Automobile manufacturers use to purchase batteries for cars.

Resellers

Resellers are those who purchase products for reselling to others and renting to the customers on profit. The resellers can be retailers or whole sellers. The retailers use to sell products to the end users in small quantities. Whole sellers sold their products to the retailers and business buyers generally in large quantity.

Government

Government buys at local level state level and national level. The business and government buying are similar in many ways, but the different lies that the government need to publish their all products requirement through tenders. Government ask for bids from several suppliers and the most appropriate one. Governments tend to favour domestic suppliers over foreign suppliers.

 Institutions

Institutions also need products for their business. The objectives of institution are not only generating profit but also increasing market share and return on investment. The product purchased by these institutions facilitates them in providing services to their customers for example schools, hospitals, colleges etc.

1.10.1 BUYING SITUATIONS

For purchasing goods and services a firm has three buying situation i.e. straight rebuy modified rebuy and new task buying.
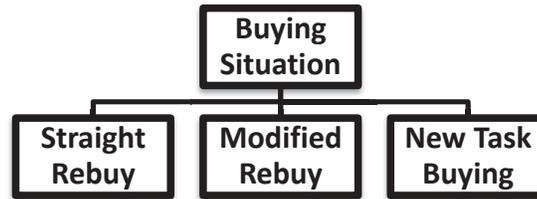
Figure 1.2 Buying Situation in Business markets

Straight Rebuy

In Straight rebuy situation the firm place same order as previous without any modifications. The items purchase in such situation is of regular need of the firm. These purchases contribute to the bread and butter revenue firm needs to maintain a steady stream income.

Modified Rebuy

In modify rebuy a firm modify its order as per the product specification that can be price of the product, quantity and quantity required and terms and conditions or change in suppliers etc. The situation requires more participants in decision making of such type of purchase.

Modified rebuy occurs when firms decided to change the suppliers for better process, quality or delivery time. This situation also occur when firms has new need for their products.

Modify rebuy need more time and efforts than straight rebuy. The firm usually knows purchase specifications and few potential suppliers.

New Task buying

When a company buys a product for the first time the situation is known as new task buying.

There is a fair amount risky and uncertain in new task buying the firm purchased the product first time. It also requires efforts of the buyer because the buyer has no previous experience of such type of purchase.

1.10.2 MEMBERS OF BUSINESS BUYING

Business buying is complex in nature there are many participants involve in the process. As one wrong purchase decisions can create a massive loss to the business.

Business Buying Process consists of five participants.

Gatekeepers: The gatekeepers are the purchase offices of organizations. The one who holds all the information of the product which they gather form sales people and supplies. Generally they regulate the flow of information in the organization.

Influencers: Influencers are the Technical expert may be an engineer, quality control specialist or well trained employees they can affects buying decision by their advice. A company used to take advice from experts before purchase in situation of new task buying.

Deciders: The decider is the person who makes the final decision of purchase.

Buyers: The buyer is the person who executes the whole buying. The buyer negotiates, do contract in behalf of the company and finalize the payment terms, delivery dates.

 Users: The user is the person who uses the product in the organization.

1.11 BUSINESS BUYING PROCESS

The set of decisions taken by business buyer for the buying of products and services for the business is known as business buying process.

Businesses involved in producing different products for varied customer demands. The business buying process has eight stages.
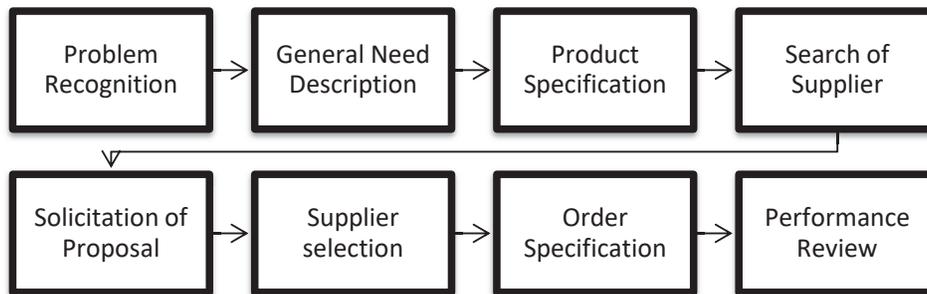
Figure 1.3 Business Buying Process

Problem Recognition

The first step of buying process is problem recognition. The solution recognized problem may be solved by new product. The two type of stimuli responsible for creation a problem that is the internal stimuli and external stimuli. The Internal stimulus is cause due to the ambition of management to produce a new product or due to the damage of machine in the plant. The external stimulus is caused by the outer environment of business. The product idea comes from the competitor's product or change in existing product.

General Need Description

When the identification of the need is clear the description of the need is prepared. Which address the type and quality of product is needed. The need description is prepared by the team of technical staff, buying team and other professionals in case of complex products. They

prepared a detailed report of need description. The importance of features like reliability, price, after sale service and durability are desired in the description list for product and service.

Product specification

In this stage a team of technical expert prepared a list of technical specification of the product need for the business process. The team also determine the cost of production and other expenses after the installation of new product.

Search of Supplier

In this step the organization searches the potential suppliers to whom order can be made. For the purpose the list of suppliers can be made by the purchasing organization. List can be prepared with the use of suppliers directories. The Internet also facilitates in searching or list preparation of suppliers, the website like Alibada.com, Indiamart.com, tradeIndia.com etc can helps for the task.

Solicitation of Proposal

In this stage a written proposal were asked from the suppliers for required product. In case of expensive and complex product purchase suppliers are asked to give a presentation on the product. In many cases the suppliers also send their sales professional to the buying organization with product brochures. The suppliers also arrange product demonstration in case to new and innovative products for the purchasing company.

Supplier Selection

In this step the purchasing committee of the buying company evaluate the proposal of the suppliers. The proposals are ranked on the basis of attributes offered. Some of the attributes on which the purchasing organization selects the proposal are as follows

- Quality of product

- Price of the product

- Delivery time

- Communication by the suppliers

- Brand and reputation of supplier

- Post sale services etc

Order Specification

It is prepared before given order to the selected supplier. The order specification contains specifications of the product like quantity required, product price, product services, and time of the delivery.

Performance Review

The performance review of the product is done on the feedback given by the customer. Customer satisfaction is the most important factor in evaluating the product and supplier. The performance review of the product can be used as the reference for future purchase decision.

1.12 FACTORS AFFECTING BUSINESS BUYING BEHAVIOR

There are many factors that influence business buying behavior. The factors are mainly categories into four categories i.e. Environment factors, Business factors, Interpersonal factors and Individual Factors.

Environmental	Business	Interpersonal	Individual
Level of demand	Objectives	Interest	Age
Economic out look	Policies	Authority	Education
Interest rates	Procedures	Status	Job position
Exchange rates	Business Structures	Empathy	Personality
Technological Changes	System	Persuasiveness	Risk orientation
Regulations			
Competitors			
Cultural values			
Environmental Issues			
Social responsibility			

Table 1.2 Factors Affecting Business buying behavior by Kotler and Armstrong (2010)

Environmental influences

Business customers are deeply affected by the economic and environment factors like primary demand, cost of money, competition, economic, political, social, and technological.

Some environmental factors like shortage of raw materials, switching of suppliers for eco friendly products. Business regularly monitors government regulatory policies regarding business. The economic factors that business needs to observe are production level of the company, shareholder investment customer spending, interest rates and exchange rate fluctuations.

Business influences

Businesses are having their own objectives, policies, procedures, business system and structure. A business need to frame all above aspects as per their target customers. Business should set their objectives as per the resources and market conditions. The policies of the

company should made in such a ways it facilitates the customer transaction any policy that leads to a situation of customer disappointment can cost heavily to business. An incorrect business procedure can lead to wastage of valuable resources. The procedures must plan in a way that ensures the optimum utilization of resources. Business structure build more complex leads to lack of coordination in the business, Business system need to be simple that facilitates better connectivity in the organisation. Business system needs to be upgraded regularly, it is fairly necessary for the business that they should adopt new technology and customer friendly method for an effective business system.

Interpersonal or group influences

Business buying decision is a group activity. The participants of buying centre influence each other. It is difficult to specify and determine every individual role in the process. The factors like interest, authority, interest, empathy and persuasiveness play a decisive role in decision making related to buying, while taking decision interest of the organisation should be the supreme agenda of the all team members participated in the buying process.

Individual influences

Participants of the buying centre have their personal factors like age, education, personality; job position and risk taking ability that have a deep impact on the decision of the company. Apart from this the buying style of the buyer like in-depth analysis of the proposal, used intuition or do negotiation also influence the purchase decision of the company. The evaluation of each individual will influence the group decision. The group need to take decision keeping in view the risk involved in the decision.

Check Your Progress- B

Q1. Explain the business buying behavior.

Q2. Explain the participants of business buying process.

Q3. Explain three business buying situation.

Q4. Explain the various buyers of business market?

Q5. State whether the following statements are true (T) or false (F):-

    i.   Straight rebuy is a business buying situation.
    ii.   Government also buys product from business markets.
    iii.   User is not a participant in the business buying process
    iv.   Business policies of a company have nothing to do with business buying behavior.

1.13 SUMMARY

The study of consumer behavior helps marketers to understand their target customer better. They will able to predict their behavior in the market place. The marketers can able to know not only what consumer will buy but they can also evaluate when, how and from where they buy the products. The chapter provides deep understanding regarding different factors that influence buying behavior in consumer and industrial market. The factors like cultural, social, personal and psychological affect the individual purchase and the factors like environment factors, business factors, interpersonal factors and individual factors affect the business purchase. The knowledge of consumer behavior is vital for marketers for doing strategic planning in marketing. Every strategy either consumer market or in business market framed to win consumers and knowing customers is the most vital business requirement in today's scenario.

1.14 GLOSSARY

    Attitude- A learned predisposition to behave in a consistently favourable and unfavourable manner with respect to the given object.

Diffusion of Innovation- The frame work for exploring the spread of consumer acceptance of new products throughout a social system.

Family life cycle- Classification of families into significant stages that are Child, Teenager, Young Adult, Young Couple, Young Couple with baby, Growing family, Empty nesters and Elderly.

Psychological factors- The intrinsic characteristics of an individual such as personality, buying motives, life style attitude and interest.

Reference Group- A person or a group that serves as a point of comparison for an individual in formation of general or specific values, attitude or behavior.

Sub culture- A distinct cultural group that exists as an identifiable segment with in large and more complex society.

Target market-The selection of a distinct market segment for doing business.

Social Class- The division of members of society into hierarchy of distinct status classes i.e. high class, higher middle class, middle class lower middle class, and lower class.

1.15 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Answers
  i. True
 ii. False
iii. True
 iv. False

Check Your Progress –B

Answers

  i.   True
 ii.   True
iii.   False
 iv.   False

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1.18 TERMINAL QUESTIONS

Q1. Explain how consumer buying behavior is different from business buying behavior?

Q2. As a purchase head of a company how will you supervise the purchasing of a new packaging machine in the company?

Q3. Explain how the study of consumer behavior helps in formulation of consumer behavior?

Q4. What is diffusion process? How it is different from adoption process?

Q5. Explain how an individual involve himself in buying behavior process for purchasing a new phone.

UNIT 2 CONSUMER BEHAVIOR AND MARKETING STRATEGY

2.1 Introduction

2.2 Objectives

2.3 Meaning of Marketing Strategies

2.4 Objectives of preparing Marketing Strategies

2.5 Market Segmentation Strategies

2.6 Positioning Strategies

2.7 Marketing Mix Strategies

2.8 Product Strategies

2.9 Pricing Strategies

2.10 Place Strategies

2.11 Promotion Strategies

2.12 Summary

2.13 Glossary

2.14 Answer to Check Your Progress

2.15 Reference/ Bibliography

2.16 Suggested Readings

2.17 Terminal & Model Questions

2.1   INTRODUCTION

In the previous unit you learnt about the concept of consumer buying behaviour, buying process, factors affecting buying behaviour in Consumer and Business market both. In this unit, you will study about different marketing strategies that company made for smooth functioning of business. Marketing strategies can only be successful if they are made according to the target customers. The major marketing strategies that a company made are market segmentation, positioning, product strategies, pricing strategies, placement strategies, and promotion strategies.

Marketing strategies are generally formed on customer belief. Marketing strategies based on obvious consumer assumptions and research are likely to be successful than the decisions based on guess work. It reduces the risk of failure of strategies in the market.

2.2   OBJECTIVES

After reading this unit you will be able to:

- Know the concept marketing strategies.
- Know the influence of consumer on marketing strategies.
- Know the framework of Market segmentation strategies
- Know product positioning strategies
- Know the formulation of marketing mix strategies

2.3   MEANING OF MARKETING STRATEGIES

Marketing strategies are the plans or tactics that a company made in order to achieve the Marketing objectives or goals. The company's marketing objectives can be market share leadership, profit maximization, brand building, enhancing customer satisfaction etc. Or in other words, Marketing Strategy is an integrated set of choices for a firm to create and capture customer value over long periods of time. It allows company to focus on resources to grab the opportunities to increase sales and achieve growth.

Definition by Phlip Kotler

"Market strategy lays out the target market and the value proposition that will be offered based on an analysis to the best market opportunities" The meaning of the definition is that the marketing strategy point out the values that we need to offered to the target market to meet the opportunities of the market.

2.4 OBJECTIVES OF PREPARING MARKETING STRATEGIES

Marketing strategies are prepared to address the following aspects;

- Marketing strategies enables company ready for the changing business environment.
- Marketing strategies enables company for the fulfilment of the marketing objectives.
- Marketing strategies enables company to have a better understanding about the target market.
- A good product strategy enables company to have more customer friendly product.
- A good pricing strategy enables company to have more customers' affordable product.
- A good promotion strategy enables company to have better communication with customers.

- A good placement strategy enables company to provide more convenience to customer for product purchase.

2.5   MARKET SEGMENTATION STRATEGIES

Market Segmentation is a marketing strategy in which whole market is divided into small similar segments. Customers of each segment exhibits similar kind of behavior.

Definition

According to William J Stanton " Market segmentation consist of taking the total heterogeneous market for a product and divided in to several sub-markets on segments each of which tends to be homogeneous in significant aspects." The meaning of this definition is company need to divide the whole market in to small segments which are similar in nature.

2.5.1 BASES OF CONSUMER MARKET SEGMENTS

Market segmentation can be done through two ways in Consumer Market

1. **Customer Oriented Segmentation**
- Geographic Variable
- Demographic Variable
- Psychographic Variable

2. **Product Oriented Segmentation**
- Occasion of use
- Product Benefits
- User Status & Usage
- Loyal Status

Customer Oriented Segmentation

- **Geographic Variable** Market can be segmented on the basis of geographic location of the customer; the prospective customers can be located in local, state, regional or national markets. The reason behind this the customers living in same place show similar buying behavior. The customer lives in same places has similar needs and wants from those who lives in different places. For example the demand of woollen clothes is more from areas that have cold climate. In case of retail stores and private sector banks, geographic location important considerations. Here, urban areas are preferred for opening new outlets and branches.

Geographic Variables and Market Segment

S no.	Geographic Variables	Market Segments
1	Region	Asia, Europe, Australia, USA and other

2	City Population	Under 25,000; 25,001-100,000 ; 100,001- 500,000 Etc.
3	Location type	Urban, Suburban and Rural
4	Climate	Hot, Cold, Sunny, Rainy, Cloudy etc.

- **Demographic Variable:** Demographic variables of the customers such as age, gender, income, occupation, education marital status etc. are also used as a basis for market segmentation. Customer of same age and gender groups has similar likes and dislikes. Similar income level persons use to purchase similar types of products and brands. For Example (Females are more interested in latest fashion products, while males are more interested in latest technology products) Demographic segmentation is easy way of doing segmentation. Demographic information is often most accessible and low cost way to identify target market because most published data including census data are expressed demographic terms.

<u>**Demographic Variable and Market Segment**</u>

S. no.	Demographic Variables	Market Segments
1	Income	Under Rs 20,000; Rs. 20,001- 40,000; Rs. 40,001-60,000; over Rs. 60,000 Per Month
2	Age	Age under 20, Age 21-40 years, Age 40- 60 years, Age 60 years and above.
3	Gender	Male and female.
4	Family life cycle	Young person, Young unmarried, Young couple with no children etc.
5	Social class	Upper class, upper middle, lower middle, upper lower, etc.
6	Education	High Secondary Schooling, High School Graduate, Post graduate.
7	Occupation	Professional, Manager, Clerical, Sales, Student, Homemaker, Unemployed Etc.
8	Ethnic background	African, Asian, European, etc.

- **Psychographic Segmentation**
  Psychographic segmentation focuses on grouping customers according to their buying psychology. Many companies market their products based on attitude, life styles and personality of the target market. Psychographic segmentation includes variables such as personality, life style and values.

In other words psychographic segmentation can be done by dividing the population in groups having similar psychological characteristics, such as Personality Values, and lifestyles.

Psychographic Segmentation and Market Segments

S. no	Psychographic Segmentation	Market Segments
1	Personality	Ambitious, Self-confident, Aggressive, Introverted, Extroverted, Sociable Etc.
2	Life-style	Activities (golf and travel); interests(politics and art); opinions (conservation and capitalism)
3	Values	**Strivers** (who focus more on material and professional goals), **Devouts** (who consider tradition and duty very important), **Altruists** (who are interested in social issues), **Intimates** (who value close personal relationships and family highly), **Fun seekers** (who tends to be younger and usually male), and **Creatives** (who are interested in education, knowledge, and technology).

Product Oriented Segmentation

- **Occasion of Use:** The product promotes by the company in way that it may only be used for specific occasion. For Example Company can promote their health drink on any occasion of breakfast, lunch or dinner.
- **Product Benefit:** The customers can also grouped customers on the basis of benefits that they get from the product. For Example Customers of tooth paste can take benefits like Oral freshness, germs protection, whiteness of teeth, strong gums etc.
- **User Status and User Rate** Company can group their users into many categories on the basis on their user status like regular user, potential user, ex user non user.
  Users are also classified on the basis on their capacity of consumption that is called user rate for example light user heavy user etc.
- **Loyalty Status** consumers can be categorized on the basis of their loyalties towards brands; it is found that loyalties towards brand differ from customer to customers. Like few customers are hard core loyal, few are split loyal some of them are shifting loyal and switchers.

2.5.2 BASES OF BUSINESS MARKET SEGMENT

Business market are segmented with several variables few of them are common that are applied in consumer market segmentation, such as geographic, benefit sought and usage rate.

The demographic variables are the most important, followed by the operating variables.

Demographic Variable

- The firm can segment their market on the basis of type of industry, location and size of the company in business market

S no.	Demographic Variable	Market Segments
1	Industry Type	Government Sector , Semi government Sector , Private Sector Industry
2	Location	Local, Regional, National, Global.
3	Size of Company	Large scale, Medium Scale, Small Scale

Operating Variable

- In operating variable segmentation a marketer need to focus on the, the status of the user and customer capabilities.

S no.	Operating Variable	Market Segments
1	User Status	Heavy users, Medium users, Light users, or Nonusers
2	Customer's Capabilities	Need Many Services or fewer Services.

Purchasing Approaches

- In this type of market segmentation the marketer segment the market with respect to purchasing system, power structure and purchasing criteria.

S no.	Purchasing Approaches	Market Segments
1	Purchasing System	Centralized purchasing or Decentralized purchasing
2	Power Structure	Engineering driven, Financially driven, Marketing driven etc.
3	Purchasing Criteria	Price Conscious, Quality Conscious and Service Conscious etc.

Situational Factors

- Market segment on situation factors concern time of delivery and size of order.

S no.	Situational Factors	Market Segments
1	Delivery Time	Quick, Slow or Sudden
2	Size of order	Large order or Small Order

2.5.3 EFFECTIVE MARKET SEGMENTATION

Companies need to understand that all segments are not useful for them. A company needs to pick the segment on the basis of following factors.

- **Measurable:** The characteristics of the segment like size, purchasing power, can be measured.
- **Substantial:** A marketer needs to focus on the largest homogeneous group of buyers. The selected segment should ensure profit and substantial growth in future.
- **Accessible:** The firm should carefully select those segments which they can reach and serve effectively.
- **Differentiable:** Two different market segments should respond differently to different marketing offers. If both segments respond identically to an offer, than they should not be considered as separate segments.
- **Actionable**: A market segment must be structured in such a way that effective programs can be formulated for attracting and serving customers.

2.6   PRODUCT POSITIONING STRATEGIES

The product position is defined as the product's image in the customer's mind relative to competitors' products and brands.

Product positioning is the marketing strategy that emphasized a certain market segment by acquiring a position in customers' mind.

Markets has different segments, each have certain common product preference to the quality desires, price affordability, attributes needed and one time quantity bought.

 "*Product positioning involves consumer's requirement pre-packed in products and offered.*"

2.6.1 FACTORS AFFECTING PRODUCT POSITIONING

There are four distinct variables that affect the product positioning.

- **Product**: It really depends on, how customers value a product or give importance to a certain product or product category. It means nature of product affect product positioning.

- **Company**: The Company's profile directly influences the product image in market. Better company's profile leads to product success.

- **Competition**: Customer tents to compare products with the dominant brand in the segment. Competition has a deep impact in product positioning.

- **Consumer**: The product position is based more on customer perception than evaluation. The firm need to understand customer preference and address it into the product.

2.6.2 POSITIONING THROUGH DIFFERENTIATION

Product positioning can only be effective if it differentiate product from the competitors' product in a meaningful way. The product need to be perceived different from competitors' product even if it provides similar utility and possess same features.

Few differentiating aspects are:

- **Differentiating through Product**: It can be done by differentiating in offer through change in Form, Feature, Performance, Durability, Reliability, Reparability, Style or Design of the product with respect to competitors.

- **Differentiating through Services**: It can be done by differentiating in offer through services like ordering of product, delivery, installation and training or consulting with respect to competitors.

- **Differentiating through Personnel**: It can be done by differentiating through personnel's characteristics like competence, courtesy, credibility, responsiveness or communication with respect to competitors.

- **Differentiating through Channel**: It can be done through differentiating in coverage through distribution channel of the product with respect to competitors.

- **Differentiating through Image**: It can be done by differentiating through creating symbols, media, atmosphere or events.

2.6.3 STRATEGIES OF POSITIONING

- **Category Related Positioning**

  When basic product segment is having many competitors in the market, the marketer positions the same product in other category. The product attributes match the consumer expectation from that category. For example Renault Duster is launched in LUV (light utility vehicles) category.

- **Benefit Related Positioning**

Most of the successful products provide one or two benefits to the customers. Product's Brand franchise are been created around these benefits. Brand Colgate is positioned as toothpaste for strong gums while Brand Close up toothpaste is positioned as toothpaste for oral freshness.

- **Positioning by Usage Occasion and Time**

Product can also be positioned through differentiating strategies, when a company positioned its product through usage pattern. For example Knor Noodles are positioned as an evening snack for children.

- **Price- Quality Positioning**

Before purchasing products customers compares the products on price-cum-quality and decides which is most suitable for their need. Due to certain buying behavior of customers company positioned the product on different price level. For Example Sony Televisions are positioned as a high prices high quality product.

2.6.4 MAJOR POSITIONING ERRORS

- **Under Positioning**

Under positioning is a scenario when the company's brand is seen as just another product in highly competitive and crowded market place.

- **Over Positioning**

This type of positioning errors happens when the company's brand is over positioned in market and customers may feel that a particular brand is quite expensive or not affordable.

- **Confused Positioning**

When a company launched too many brands in the same market and changing the brand positioning too frequently, that leads to confusion in consumer's mind this scenario known as confused positioning.

- **Doubtful Positioning**

When customers are doubtful whether the product's features, design etc will serve the purpose or not, such type of positioning error is known as doubtful positioning.

Check Your Progress-A

Q1. State the meaning of Marketing Strategy?

Q2. Explain how market is demographic segmentation is done in consumer market?

Q3. Explain different product positioning errors?

Q4. Define how a company can select a right market segment?

Q5. State whether the following statement are true (T) or false (F):-

   i.   Positioning can be done through product differentiation.
   ii. In demographic segmentation the market is segmented on the basis on consumer life style, perception and values.
   iii. An effective marketing strategy provides competitive edge in the market.
   iv. Over positing of the product is a positioning error.

2.7 MARKERTING MIX STRATEGIES

The marketing mix refers to the set of strategies that a company uses to promote its product in the market. The term 'Marketing Mix' was first used in 1953 by Neil Borden, in his presidential address at American Marketing Association USA.

 The concept further developed by J. McCarthy stating Marketing mix strategy is the combination of four elements i.e. product, price, place, promotion. A company can devise their marketing mix strategies with a right combination of 4 P's i.e. Product, Price, Place and Promotion with respect to the target customers. A company's offer can be changed by varying the mix elements for different types of customers. For example a high end brand can increase the focus on promotion rather than price.

Fig 2.1 Marketing Mix

2.8 PRODUCT STRATEGIES

A product is a company's offer may be goods, services, or an idea to their target customer. It can be tangible or intangible that means a company can offer goods, services or combination of both to their target customer for their need satisfaction.

A customer wants products to satisfy their daily needs. A product provides physical comfort and psychological satisfaction both.

The examples of Products:

- **Goods** like Clothes, Motor bikes, Car, Televisions, Mobile phones etc.
- **Services** like Hotels, Health care, Logistics and Transportation, etc.

The product in modern era is not only a good or a service it is the combination of many things i.e. brand name, quality, features, after sale services and other associated attributes. A consumer looks for all these items in a product.

2.8.1 PRODUCT QUALITY

Quality is an aspect of product that contributes immensely to the satisfaction of the customer. A company really needs to understand the level of quality that a customer desire in a product and addressed it in the product as customer demanded. For Example a television manufacturer must understand the customer criteria for quality i.e. screen size, sound quality.

It seems that best quality products are having higher prices. Many customers can not afford to purchase premium products. They take decision considering on the expenses they need to put in i.e. purchase cost, cost of using and maintenance cost. For example In case of cars the expenses are, price of car, running cost, and Maintenance cost.

A manufacturer always strives to deliver best possible quality products at affordable price to their customers. Only a good quality product may ensure large sales and good customer relations. Company's investment for quality improves its reputation in market and ensures repeat purchase.

2.8.2 PRODUCT DESIGN

It is the conversion of intellectual wisdom, company's requirements and customer's needs into a product. It is the combination of science, art and technology. Designers conceptualize the whole idea of the product and transform it into reality. A product design indicates product utility and attractive looks.
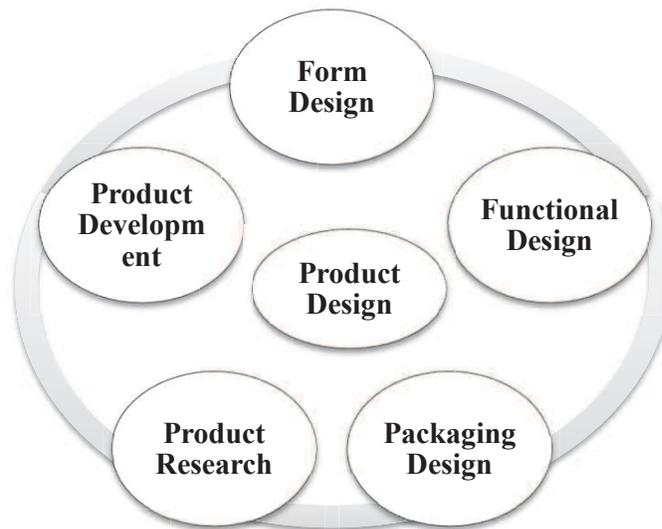
Figure 2.2 Product Design

Product design includes form design, functional design, package design, and product research and product development.

- **Form design** is the shape and looks of the product.
- **Functional design** consists of the functioning of the product.
- **Package design** consists of outer product packaging. It is essential that packaging protect product from damage, it need to attractive and provide ease to customer to handle the product.
- **Product Research** is to generate idea from the different sources i.e. from customers, employees, competitors, trade partners and other sources. Idea needs to transform into meaningful product.
- **Product development** includes final designing, production of product, testing of product and test marketing.

2.8.3 PRODUCT FEATURES

The features are the attributes of the product which are the integral part of product. Product having latest features wins the customer choices in the market place.
Product features are:

- **Tangible Features:** The tangible features of product are color, size and shape. Normally made of stuff like metal, plastic or wood.
- **Intangible Attributes:** The products that are intangible in nature are called service. One can only feel it. The service products like Healthcare, Education, Banking, transportation etc. are few examples of it. Services can be bought exclusively or it can associate with the physical products for example after sales service of a car.
- **Association Features:** Products have associated features like brand name, warranty, credit facility, free delivery etc. For example Procter and Gamble have different brands like Tide, Ariel, Head and Shoulders, Bajaj Electricals and Home appliances provide warranty with their products, Dominos Pizzas provides free home delivery of customer orders and Online retailers like Amazon and Flipkart provides emi facilities to their buyers.
- **Consumer Satisfaction**: A successful product satisfies both needs of the customer physical and psychological. For example dining in an expensive restaurant or staying in a five star hotel provides both physical and psychological satisfaction to customers.
- **Business Need Satisfaction:** Every product should fulfill the basic business need that is to generate profit. The product should also fulfill the basic need of an individual that is satisfaction.

2.8.4 BRAND

Brand is a unique identity created by the company at market place and also in customers mind. A brand creates an emotional association with target customers. A brand can be defined as name, sign, symbol or special design or combination of all elements.

- What brand delivers?
- Why the brand is appropriate to them?
- How the brand is different is from the other similar products available in market place manufactured by the same company or by competitors?

A brand is a promise of a company to deliver specific benefits or attributes to the user.
Every brand stands for a specific level of quality that a customer gets irrespective of the fact from where the brand is purchased.
A good brand also reflects.

Value: Brands are created on values that are governed by producers. The values of producers are reflected in their brands. For example Tata stands for quality products and ethical business practices.

Culture A brand also symbolizes a certain culture. For example Mc. Donalds Burger and Coke is an icon of American Culture while Amul Lassi represents Indian culture.

Personality A band projects a personality in front of customer. This is how company wants customers to perceive brand been an animal or an object or a person. For Example MRF tyres like to be perceived like a muscle man (Pahelwaan).

2.8.5 PRODUCT SUPPORT SERVICE

Most company put greater emphasis on customer services, now product support services act as major tool for having edge over competitors. A company should design its after sales and support services to satisfy their customer needs.

Almost every company is using internet as a tools for providing customer support services. Use of websites, telephone help lines, service centers and mobile phone application help companies to facilitates customers for easy access to their services. Product services enhanced satisfaction of customer.

Technique of Product support services
Connect with Customers: A company should stay connected with customer for an effective product support services. Never ignore the customer phone calls.

Provide customers the support they needed: Support customers regarding installation, operation and maintenance of technological for sophisticated products. Like Computer, Laptops and Mobile and SIM cards.

Effective exchange services: A company should exchange products found damaged or defective and make customers feel comfortable.

Complaint register system: There should be an effective complaint register system in the company. A company can register through websites, through call centers via telephones. A problem should be resolved quickly.

Ensure Customer feedback: Company should ask for feedbacks from the customer regarding their products and services. These feedbacks help companies to do necessary changes in the company's product and provide better customer satisfaction.

2.9 PRICING STRATEGIES

Pricing is the most important decision for a company. Pricing is only one element of marketing mix result generation of revenue. While other element i.e. product place and promotion incurred cost. Product price should be fixed in such a way that it should be perceived reasonable to customers.

Price of the product which company charged includes delivery charges, cost of guarantee or warranties, discount, service charges and other items that are part of product at the time of sale.

2.9.1 FACTORS TO CONSIDER WHEN SETTING PRICES

Marketing Objectives A company can have several marketing objectives like Market share leadership, profit maximization, brand building and product quality leadership. Each stated objectives have different pricing strategies. For example objective of profit maximization is achieved through charging high price for the product. Whereas by charging competitive price market share leadership can be achieved.

Marketing Mix Strategy: Pricing of the product must be aligned with other marketing mix elements i.e. product, place and promotion. Pricing must complement the product design, distribution and promotion for an effective and steady marketing program. For example a company is having long distribution channel for sales, support and promotion of their product than there should be enough margin for all middlemen.

Costs: Cost sets a benchmark for a company to set price for a product. The company should charge the price which covers all the costs i.e. Cost of producing, distribution & promotion cost and good rate of return on investment, efforts and risk.

2.9.2 EXTERNAL FACTORS AFFECTING PRICING

The demand of product- Price of the product directly depends on the demand of the product in the market. More the demand of the product higher will be the price.

Competition- Companies need to study the prices of the competitor's product. To avoid direct competition firm may decide to charge slightly lower or higher from the competitor's product to gain product differentiation in market place. A company having good brand value

can charge higher price for the product to make it sufficiently different from that of the others. The strategy is known as prestige pricing.

Customers- The purchasing power of the customer plays a very important role in setting the product's price. The paying capacity of the customer depends on their disposable income and economic condition therefore marketers need to set price according to the paying capacity of the target customer.

Suppliers- The price and the supply of the raw material have a major impact on the price of the product. Cost of the raw material deeply affects the cost of production. Therefore before setting the price of the product company must consider the cost and supply of raw material.

2.9.3 PRICING METHODS
Cost Based Pricing

In this method the selling prices is derived by adding a fixed percentage of cost in the total cost of the product. For example if cost of production of a product is Rs. 100 and producer decide to earn 20 % profit then the selling price will be 120 (100 + 20%= 120).

Break-even Pricing
Break even pricing is a method in which prices of a product set on a point on which business will earn no or zero profit. The strategy is applied to sell the product at lowest possible prices to gain market share.
Calculation of Break even pricing
- BE= Fixed Costs/Contribution (SP-VC)
- Example – Meal – SP = Rs20, VC = Rs8
- Fixed costs are Rs2400 a day
- BE=Rs2400/Rs12 = 200
- Need to sell 200 meals @ Rs20 to break-even
- VC = 40%, contribution = 60%
- BE = Rs.2400/.6 = Rs.4000

Value-based Pricing
In this type of pricing method the price of a product is set on the perceive value of the customer. In this type of pricing, company do not refer cost of production and competitor's price. The objective of this pricing method is to align price with value delivered.
Competition-Based Pricing

The competition base pricing is set by the company to compete with the competitor's product. Competition based pricing method is used where there is ferrous competition in the market and all products perceived similar in nature.

2.9.4 PRICING STRATEGIES FOR DIFFERENT PRODUCTS
Pricing Strategies for New Product

- **Market Skimming**

Market skimming is a strategy in which a company set a high price for a new product in market place. The objective behind this strategy is to skim maximum revenue from the target market. High product pricing results low sales but profit margins are very high.

For example: Every new product launched by Apple Inc. is priced very high.

- **Market Penetration**

Market penetration is a strategy in which a company set a low price for a new product in market place. The objective behind this strategy is to attract a large number of customers of the target market. The strategy enables company to capture a big market share and made tough for other companies to enter in the market.

Pricing Strategies for Existing Products

- **Product-Bundle Pricing**

Bundle product is to combine many products and offer to the customer for sale. The bundle product is common in IT and software industry for example (Microsoft Office Automation tools bundle many application software), in cable television industry the strategy wide used the channel subscription offer in bundle and one price is charge. A bundle of products is sometimes referred to as a package deal. Price-bundling reduces price competition because it very hard to identify the cost of different components.

- **Price-Adjustment Strategies**

Volume Discount: Companies offers discount on price of the product when customer purchase product in large volume. The strategy is known as volume discounts. Strategy encourage customer to purchase higher quantity of product in single purchase.

Discounts Based on Time of Purchase: Companies offers discount on price of the product when a product are been purchase in a specific time like last week of the month, in end of season for product, purchased in slow hours of the day. Strategy encourage customer to purchase products when company anticipate very low sales.

Discriminatory Pricing: When a company offer same products at different prices to different customers the strategy is called discriminatory pricing. Such pricing strategy is used to provide discounts or price offs to the loyal customers only.

- **Promotional Pricing**

Promotional pricing is a temporary pricing strategy in which company offer products to customer at below list price and sometimes below cost. The idea behind this strategy is to increase short term sales of the product.

2.10 PLACE STRATEGIES

Place considered as the location where the customer purchased the product. It is more often referred as the distribution channel. It includes the physical store or outlets where customer purchased products, as well as the online store on the internet.

Products are produced for the customers and it need to be available at a place where they access easily. For example products are manufactured at the factories and companies made them available at stores near you. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution).

Marketing Channel: It can be defined as the system of independent institutions that are mutually agree to promote and flow of products with ownership title from manufacturers to the ultimate consumer for consumption.

Marketing intermediary: Wholesaler or retailer that operates between producers and consumers or business users are called as intermediary

Wholesaler: Marketing intermediary that takes title to goods and then distributes these goods further called as wholesaler.

2.10.1 CHANNEL STRUCTURE

Channel structure is differentiated on the basis of the number of intermediaries between the manufactures and the ultimate customer. There are different levels in a channel structure. The common levels are zero-level, one-level, two level, and three-level as. Each level presents both opportunities and challenges for the marketer.
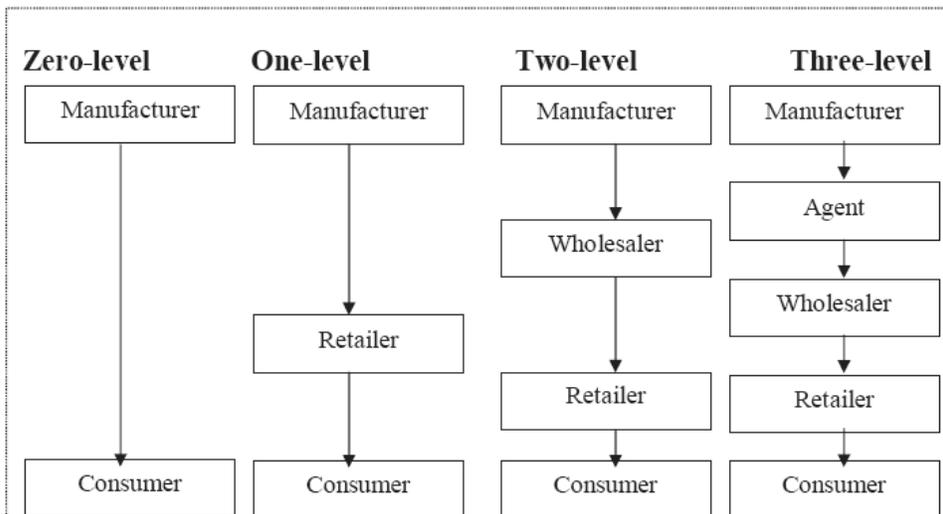
Fig 2.3 Figure Channel Structure

Zero-level: This type of structure is most basic form of channel structure. This type of structure is adopted by organizations like Eureka Forbes use direct selling mode.

One-level: This type of structure facilitates only one intermediary acting as a link between the manufacturer and the consumer. The companies associated with big retailers like Walmart, Big Bazzar etc adopted this type of channel structure.

Two-level: Channel has two people mediate before the product reaches the consumer.

Three-level: When a manufacturer enters another country, it always holds well when he uses the help of agents to operate in that environment. The structure is used in such situation.

2.10.2 WORK PERFORMED BY MARKETING CHANNEL

Marketing channel can provide efficiency to the company in distribution of product to target market through their experience, specialization, through their contact and scale of operation. The intermediaries always offer the more reach to their customers than it can achieve in its own.

Functions of Distribution Channel

- Distribution channel gather information related to market i.e. information about customers, competitors and other players of the environment.

- They communicate product information and offers to the customers.

- They contact to target customer and persuade them to purchase.

- They negotiate price and other terms and conditions with customers to generate sales.

- They place product orders on behalf of customers.

- They provide funds for inventories at different level in the channel.

- They ensure forwards movement of products towards customers.

- They supervise the actual transfer of product ownership.

2.10.3 CHANNEL DESIGN DECISION

A company needs to design different channels for different markets. The decision of designing the channel should be based on the market response, market conditions and local market opportunities. Designing a right channel can be challenge for a company, but greater challenge might be to convenience the channel members to handle the product lines on the company's terms and conditions.

Designing a channel system involves four steps

- Analyzing the customer needs

- Establishing channel objectives

- Identifying major channel alternatives

- Evaluating major channel alternatives.

Analyzing the customer needs For designing a channel strategy company required to understand the customer needs through level of service desired. It means the company needs to identify the amount of services a customer needed.

Lot size: Units purchased by customer on one occasion.

Waiting time: It is the average time a customer of that channel is ready to wait for a product.

Convenience: It is the level of ease that a channel option provides to customer at the time of purchase of product.

Product variety: The range of product provided by the channel to customers.

Service backup: It is the product related services provided by the channel to customer.

Establishing channel objectives

- The channel objectives should be stated in terms of targeted service output level.

- Channel Objectives vary with product characteristics.

- Channel Design must take into account the strength and weakness of different types of intermediaries.

- Channel Design must adapt to the larger environment.

Identifying major channel alternatives

- Types of Intermediaries: Company needs to identify the various intermediaries' options that are available to perform the channel works. Such as Sales Force, Agents, Distributors, Dealers, Direct Mail, telemarketing and internet

- Number of Intermediaries: Companies need to decide the strategies of intermediaries to use at each level.

There are three major strategies available:

1. Exclusive distribution: In this type of strategy the company decides to appoint only one or two exclusive intermediaries at a business location. The strategy can enable company to provide good service quality to customers.

2. Selective distribution: In this type of strategy the company decides to appoint few selective intermediaries at a business location. The strategies are effective when the company's product need less service support and having big market. This strategy enables company to stand firm against the competitions.

3. Intensive distribution: In this type of strategy the company decides to appoint many intermediaries at a business location. This type of strategy is perfect for the mass market product and where product is very standardized in nature.

Terms and responsibilities of channel members

The main elements in the terms and responsibilities for channel members are:

- Price policy: A company needs to prepare the price list of all traded products and schedule of discounts of the same.

- Condition of sale: A company needs to discuss the terms of payment, discount, and incentives of channel members.

- Distributor's territorial rights: A company needs to decide and discussed about the territorial rights of channel member.

Evaluating major channel alternatives

- Economic Criteria: Every channel option has different level of sales and cost. In this highly competitive market the companies who successfully switch their customers form the higher cost channel to lower cost channel without losing customers and revenue will be the winner in long run.

- Control and Adaptive criteria: There are different problem in different types of intermediaries for example a sales agency causing a control problem, an agent may not be technically sound. Deploying own sales force can be very costly affair. To develop an effective channel, members of channel must make some degree of commitment to each other for a specified period of time.

2.11 PROMOTION STRATEGIES

Promotion is to communicate with individuals, groups or organisations directly or indirectly for the exchanges of company's information regarding products and to persuade one or more audiences to accept company's products.

Promotion is used in stimulate the recipient's feeling beliefs or behavior through any form of communication. Promotion are done for target market groups, trade contract, opinion formers, government, local national and international politicians, channel members, employees, other professional bodies associations or policy makers, stock holders, general public, competitors.

Promotion is a communication process and has its own mix of variables (advertising, sales promotion, direct marketing, public relations, and personal selling) that company use for effective promotion of their products. A marketing manager must know the right combination of above promotion mix to make an effective promotion plan. A promotion plan frame in such way that it reach to their target customers.

2.11.1 ADVERTISING

Advertising is paid form of non personal communication regarding the company or its products that is transmitted through mass medium to a target group. Advertising is very appropriate where there are many buyers severe competition in market or when new product is launched in market.

According to J.E. Littlefield

Any paid form of non personal presentation and promotion or ideas, goods or services by an identified sponsor

Types of Advertising Media

A company can advertise their products in the various media. Selection of media depends on the advertising budget, nature of massage and target group. The various media options are: Press and Newspapers, Magazines, Television, Cable TV, Outdoor, Cinema and Internet.

2.11.2 PERSONAL SELLING

According to 'American Marketing Association:

"Personal selling is oral presentation to a buyer for the purpose of making sales".

Personal selling is a face to face communication between seller or its representative and buyers with an objective of selling of products. Sales representative contact potential customers give product presentation to them and ask for orders. Personal selling is quite useful in Industrial marketing other sectors like Banking, Insurance, Consumer durables etc.

Personal Selling Process:

There are seven steps of personal selling process

- Prospecting: The prospecting means developing a list of potential buyers for company's product.
- Pre-approach: Pre-approach is to analyse the information and understand it as much as possible before approaching the buyer.
- Approach: The approach is the actual contact of the sales professional with the prospect buyer.
- Sales presentation: The sales presentation is a product presentation given by the sales representative to the prospect buyer that addresses the solution to the identified needs and wants of the prospect buyer.
- Handling objections: Sales professional handle the objections of potential buyers during presentation try to address and overcome them.
- Closing sale: Closing the sale means the sales representative can ask for order. Representative should also ask about the preference of buyer regarding product i.e. model, colour, quantity needed, time of delivery etc.
- Follow up: After an order is received, to the buyer the sales representation should ensure the correct delivery of product, one should make sure that the product received by customer should proper condition, at the right time, installed properly, etc.

2.11.3 PUBLIC RELATIONS/ PUBLICITY

A Public Relations is one of the major mass promotion tool used by the company to maintain good relationship with the stake holder of the company i.e. customers, employees, stockholders, government officials & institutions, suppliers and society.
Public relation is non paid non personal communication tools which a company used for product promotion.

In Comparison to advertising, personal relation is a **non-paid** form of a non **personal communication** regarding company and its products that is broadcast through a mass media.

Public Relations perform the following five functions:

- Press relations: Publishing of news and information about the company in the most positive way.
- Product publicity: Sponsoring shows and other events to publicize specific products.
- Corporate communication: Corporate communication is the company's promotion through internal and external communications.
- Counselling: The counselling to address the public regarding company's position during good times and crises

Various Public Relations Tools:

The various public relations tools that a company uses for its promotion are: News articles and press releases, speeches company's employees, special events, written material (Brochure, Leaflets Etc.), audio visual material (short films), corporate identity material (Logo, business Cards, stationary etc.), public services activities.

2.11.4 SALES PROMOTION

Sales promotion is an act of offering of additional value or incentive to the customers. These incentives are given to the customers with the product or distributed through the intermediaries and sales persons. These incentives can be in the form of discounts, coupons, free sample products, free gifts etc.

Sales promotion is effective tools for creating awareness regarding product in the market. It influences customers to purchase a particular product. The sales promotion are the offers provided to final customers and intermediaries with the objective of achievement of short term sales targets. Sales promotion can fall in to two categories

- Trade promotions: Trade promotion offers are those offers which are directed towards the channel partners (Retails and whole sellers).

- Consumer Promotions: Consumer promotions offers are those offers which are directed to the final consumers by the company.

Methods of Sales Promotion

- Rebates: A rebate is a return a part of price to customer. The company offered rebate to customer. It is generally offered to the customer who presents the coupon and purchase proof to the company.
- Coupons: The coupon reduces the product price by few rupees by coupons at the time of purchase. These coupons are available to customers through newspapers, magazines, direct mail, online, games shows, and quizzes contests.
- Samples: A sample is a free product given to customers to encourage trial. These fee samples offered to customers through online coupons, direct mail, or in stores. This is a very expensive sales promotion technique.
- Premiums: A premium is a gift that a producer offers the customer in return for using its product.

- Trade Shows. A trade show an exhibition of a specific industry's products and services for the dealers. It facilitates manufacturers and wholesalers to show their latest products to retailers. It is designed to create awareness and interest in customers regarding product.
- Cooperative Advertising: Cooperative advertising is an agreement between the retailer and company, whereby company is ready to pay certain amount of advertising expenses to retailer for advertising of company's product in this territory.

2.11.5 DIRECT MARKETING

Direct marketing has been defined by **the Institute of Direct Marketing** as:

"The planned recording, analysis and tracking of customer behaviour to develop relational marketing strategies"

Direct marketing is a direct communications with the target individual customers for an Immediate or instant response. Direct marketing is effective in customer direct channels where middle men are not used to deliver the goods and services. Direct marketing can be done through direct mail, catalogues, telemarketing, interactive TV, kiosk, Web sites, and mobile services.

Many companies today use direct marketing for building long term relationship with the customers. They send birthday card, information materials, or small premiums to select customers.

Major channels of Direct Marketing:

- Telemarketing: The use of the mobile phone as a tool for direct marketing known as telemarketing.
- Face to Face selling: Companies use sales force and agents for promoting their goods and services to customers.
- Direct mail marketing: Mailing brochures, leaflets and other promotion materials direct to potential customers.
- On-line Marketing: It is a platform where buyers and sellers electronically linking through interactive computer systems.
- Catalogue Marketing: Selling of company's products through catalogues which are sent by post to customers.
- Direct response marketing: While advertising a particular product on TV and providing a toll-free number for customers to order the selected product.
- Kiosk marketing - A kiosk is an authorised agency or a unit for selling or giving information about products.

Reasons for the rapid growth of direct marketing:

- Fragmented markets: Markets are segmented into many small segments and these segments can be served according to the needs and preferences of the target group.
- Increase in the credit card users and different e-cash options facilitates the transactions stimulated by direct marketing programmes.

- Increased users of computers and Internet make possible for marketers to connect their customers. It also decreases the cost of promotion.
- Customers feel convenient to order from direct marketers.

Check Your Progress-B

Q1. What is marketing mix strategy?

Q2. Explain different pricing strategies.

Q3. Explain the methods of doing sales promotions.

Q4. What are the different promotion mix elements?

Q5. State whether the following statement are true (T) or false (F):-

  i.   After sales service is an important element of product strategy.
 ii.   Market penetration is to sell the product on high prices.
iii.   E marketing is not a distribution channel alternative.
 iv.   Personal selling is one of the promotion mix element.

2.12 SUMMARY

Effective marketing strategies enable company to work in uncertain situations of the market. A company use to build strategies on the resources available with. A superior marketing strategy helps company to develop a competitive edge over other. The essential marketing strategies which a company formulates are market segmentation, product positioning and marketing mix.

A company cannot serve all different needs of the customers; Market segmentation helps company to split the whole heterogeneous market into small homogenous segments. A company can select one or two segment base in the resources available and company's objectives.

Product Positioning enables company to differentiate their products from similar products of competitors at market place. This helps companies to make special identity of their product in the minds of the consumer and win customer choices.

Marketing mix strategy is the combination basic marketing elements i.e. Product, Price place promotion to achieving the marketing objectives. A mix strategy is based on the target consumer requirements.

2.13 GLOSSARY

Brand- A name, sign, term, or design or combination of all of them intended to identify goods and services of one seller or group of sellers and to differentiate them from those of competitors.

Durability-A measure of a product's expected operating life in natural and stressful environment.

Market skimming – A pricing strategy involving the use of a high entry price relative to competitive offerings

Marketing channels - The external contractual organization that manage operates to achieve its distribution objectives

Marketing Mix-The unique configuration of four basic marketing variables i.e. product, price, place and promotion that a marketing organization controls.

Positioning- The act of designing a company's offering and image to occupy a distinctive place in the mind of consumer.

Product bundle pricing- Combining several products and offering the bundle at a reduced price.

Segmentation- Dividing the whole market in to small homogenous segments for the purpose of focus marketing.

2.14 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Answer

    i.   True
    ii.   False
   iii.   True
   iv.   True

Check Your Progress –B

Answer
    i.   True
    ii.   False
   iii.   False
   iv.   True

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2.17 TERMINAL QUESTIONS

Q1. What is meant by Marketing Mix? Describe the four components of marketing mix.

Q2. Frame promotion mix strategies for a new departmental store in the city.

Q3. Explain the different methods of pricing for a product offer? Explain the different pricing strategies also.

Q4. What is product positioning? Explain different positioning strategies.

Q5. "Channels of distribution are a vital link between manufactures and consumers". Describe this statement with the help of diagrams by mentioning the four types of channels of distribution.

Q6. What is market segmentation? Explain the ways for doing market segmentation.

UNIT 3 CONSUMER BEHAVIOR, MARKETING STRATEGY AND MARKET SEGMENTATION

3.1   INTRODUCTION

Proctor & Gamble introduced Pampers in Japan and created the disposable diaper market in Japan. The product was not modified and was launched in the similar manner as it was in United States. However, the Japanese competitors soon brought down P & G's share to less than 10 percent. The CEO of Proctor & Gamble realised and quoted that they failed to understand the Japanese consumer. Moving further P & G launched a consumer research project and redesigned the diapers to be much thinner. They also launched separate diapers for girls and boys - Pink for girls and blue for boys. Advertising also was changed to include a more emotional content. Finally, the Proctor & Gamble corporate name was made prominent in both packaging and design as the Japanese consider corporate identity and reputation as very important and critical. P & G is now very successful in Japan.

The above example and several others can justify that consumers are unique. They possess needs and wants which are varied and diverse from one another. They also have different consumption pattern and consumption behaviour. The marketer helps satisfy these needs and wants through product and service offerings. Marketing forever and now and ever has one

goal; to reach consumers at the time that most influences their decisions.[1] In the previous units we have seen that consumer behaviour is a very important concept in the study and practice of marketing. For long it has been argued that in order to make profit, organizations must strive to satisfy consumer's needs and wants. This clearly demands all the marketing organizations to devise ways to understand customer better and stay close to them to provide products and services that consumers will purchase and use appropriately. Today, many organizations across the world have become successful by way of designing their organization and its processes that continuously add value to customer's overall buying experience. This is the essence of Consumer Behavior, an interdisciplinary subject, that emerged as a separate field of study in the 1960s.

Companies today are striving to serve consumers better for three major reasons.

First, the success of Japanese companies that focus on higher value by providing products with superior quality. The other companies were eventually left with no other option but to follow the Japanese companies and their processes that create superior value. Second, the improved quality of consumer and marketing research has made it convenient for marketers to follow consumer's reaction towards products and services and therefore assist in effective marketing strategies. Third, the internet has made it very easy to market products and services and also collect information about consumers that can be utilized to develop effective marketing strategies.

Consumer behaviour is studied for variety of reasons. Consider the following situations:

- Why did you decide to study in the school at which you are now studying?
- Why did you buy clothes from Blackberry, John Players, Wills Life Style, Shoppers Stop, Westside, Trends or any other local vendor?
- When did you last see a movie? Where did you see? With whom did you see?
- Did you vote in the last election? For whom and why?
- When you have a family which car you wish to buy?
- If you had a choice of attending an IPL, visiting a museum, attending a music concert or spending the evening in restaurant, which would you choose?
- If you have to plan a vacation trip where will you go?

Organizations are looking for the appropriate answers to these questions so that they can design, launch and sell products and services that are very close to answers to questions mentioned above. The unit deals with understanding of consumer behaviour in order to develop an effective marketing strategy, to regulate a marketing practice, or to cause socially desirable behaviour.

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[1] The Consumer Decision Journey, By David Court, Dave Elzinga, Susan Mulder, and Ole Jorgen Vetvik, an article published in McKinsey Quarterly, June 2009

3.2   OBJECTIVES

- Explain the key terms, definitions, and concepts in the study of consumer behaviour.

- Exhibit knowledge of consumer behaviour concepts to develop and implement better marketing strategies to influence those behaviours.

- Discuss consumer decision making journey and how it impacts marketing strategies of the companies.

3.3   DEFINITION & NATURE OF CONSUMER BEHAVIOUR

Companies are willing to spend billions on understanding what clicks to the consumer. It is now evident that companies like Google, AOL and Yahoo have been monitoring our web patterns. These and many such companies are interested to find what a consumer is interested into.

Massachusetts Institute of Technology (MIT), in conjunction with a large retail center, has tracked consumers in retail establishments to see when and where they tended to dwell, or stop to look at merchandise. How was it done? By tracking the position of the consumers' mobile phones as the phones automatically transmitted signals to cellular towers. MIT found that when people's "dwell times" increased, sales increased, too.[2]

The concept of consumer behaviour is very significant and several authors have attempted to define and explain it in variety of ways.

The American Marketing Association defines consumer behaviour as, "the dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives."[3]

Schiffman and Kanuk defines consumer behaviour as, "the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs."[4]

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[2] "The Way the Brain Buys," *Economist*, December 20, 2009, 105–7.

[3] Peter D. Bennett, ed., Dictionary of Marketing Terms 2nd Ed. (Chicago: American Marketing Association, 1995), p. 59

[4] Schiffman, L. G.,Kanuk (2007), Consumer Behaviour, 9th ed, New Jersey: Prentice Hall, 55-63.

Wells and Prensky defines consumer behaviour as, "the study of consumers as they exchange something of value for a product or service that satisfies their needs."[5]

Engel, Blackwell and Miniard defines consumer behaviour as, "those actions directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions"[6]

A cursory view of all the definitions of consumer behaviour reveals three important aspects.

- **Consumer Behaviour is Dynamic:** Consumer behaviour is dynamic in nature as the thoughts, feelings, and actions of consumers are changing rapidly every moment. This also becomes evident though enormous amount of budgets being spent over consumer research to document and understand important trends that affect marketing efforts. The dynamic nature of consumer behaviour creates complication for marketers in designing and implementing appropriate strategies. Strategies that work at one time or in one market may fail at other times or in other markets. The dynamic nature of consumer behaviour therefore calls for continuous innovation by the companies to compete and survive. Companies whose products and services improve continuously and are close to consumer's changing tastes and preferences strive better as compared to others who fail to do so.
- **Consumer Behaviour involves Interaction:** People's thinking, feelings, action and environment interact throughout. Proper knowledge of consumer behaviour assists marketers in understanding these interactions in a better way. The more marketers know about these interactions and their outcomes better they can satisfy consumer needs and wants through creation of value.
- **Consumer Behaviour involves Exchange:** The outcome of consumer behaviour is the decision that a consumer takes after having experienced marketing strategies. The decisions culminate in an exchange mostly money and product between the consumer (buyer) and marketer (seller).

3.4 APPLICATIONS OF CONSUMER BEHAVIOUR

We have seen that study of consumer behaviour involves understanding of consumption patterns and behaviour. It attempts to answer:

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[5] Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

[6] Engel, James F.; Blackwell, Roger D.; Miniard, Paul W., Consumer Behavior, 6th ed. Chicago.

- 'What' goods and services are being bought by the consumers?
- 'Why' consumers buy a particular product? The need and want they look to fulfil.
- 'When' do consumers buy a particular product i.e., time: day, week, month, year, occasions etc.?
- 'Where' do consumers buy a product i.e., the place?
- 'How often do consumers buy i.e., the time interval?
- 'How often do consumers use a product i.e., the frequency of use?

The scope and applications of consumer behaviour therefore does not only include the consumer who buys a product but also the aspects associated with buying.

3.5   CONSUMER BEHAVIOUR , MARKETING STRATEGY AND MARKET SEGMENTATION

The concept and practice of customer value is very important for any business. Marketing is one function that contributes most in creating and sustaining customer value. Marketing strategy therefore play a very significant role in consumer behaviour. It is this strategy that assists any organization is designing and providing target customers more value than that of its competitors.

Marketing strategy has five elements: it deals with where the organization plans to be active; how it will get there; how it will succeed in the marketplace; what the speed and sequence of moves will be; and how the organization will obtain profit.[7] It is one of the most commonly used term and refers to the planning, executing and controlling of a marketing plan to influence exchanges in marketplace. In practice these strategies are typically designed to increase the probability of positive buying behaviour of the customer towards a particular product, service or a brand.

Several organizations design different marketing strategies to get answers to aspects of consumer behaviour. The exhibit below lists few of these questions.

   Exhibit 3.1: Marketing Strategy Questions

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[7] Hambrick Donald, C., Fredrickson J. W.(2001). Are you sure you have a strategy? Academy of Management Executive, 4(15), 48-59

- Which consumers are likely to buy a product? What are these customers like? How are these customers different than those who do not buy?
- What criteria are consumers likely to use to decide buying a particular product or a brand?
- What strategies should be used to encourage consumers to purchase a particular brand and not that of the competitor?
- How do consumers process information about products and how can this process be influenced to increase the chances that consumers will have a positive and approving impression about a particular brand.
- What do consumers think and feel about a brand in comparison to the other brands?
- In what situations are consumers likely to purchase and use a product or a brand? How can this frequency be increased?
- What price are consumers willing to pay for a product?
- How sales promotion be targeted to a particular category of consumers?
- How greater value can be created so that consumers become loyal customers?

The exhibit 3-1 clearly suggests that creating a successful marketing strategy that will assist organizations in creating superior value demands a sound understanding of consumer and its behaviour.

Marketers today not only require thorough understanding of consumers opting their products and brands but also consumers opting products and brands of their competitors. Creating and recreating superior value therefore becomes the crux of marketing strategy.

As discussed understanding of consumer behaviour therefore is the basis for marketing strategy formulation. The way, consumers react towards marketing strategy decides the organization's success or failure. Also, the reactions decide the success of the consumers in meeting their needs. Finally, these reactions impact the larger society. This is shown in the figure 3.1 below.
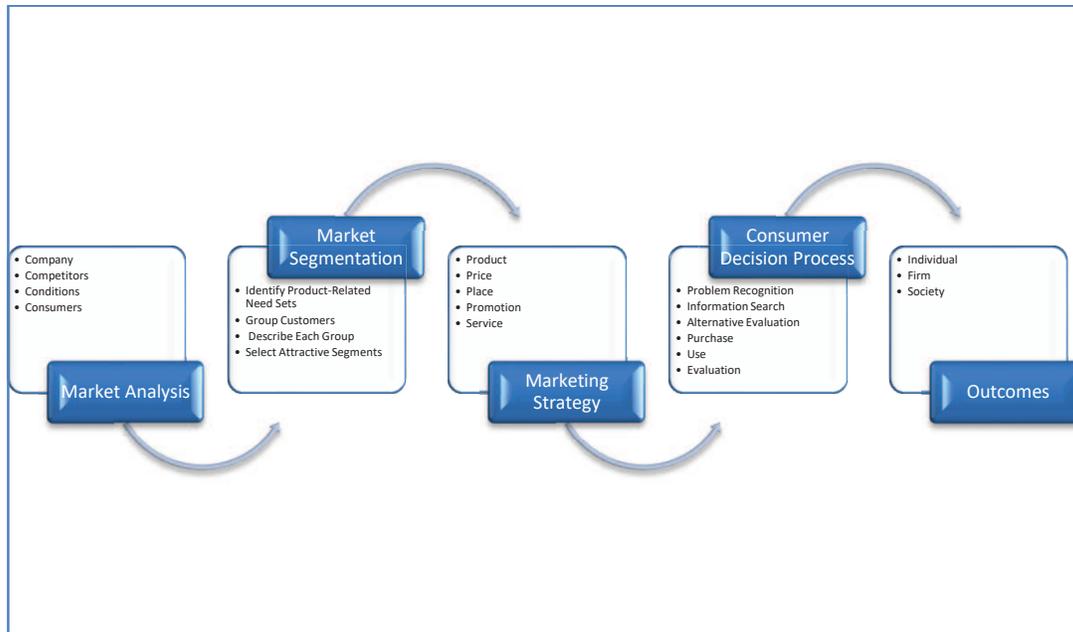
Figure 3.1: Consumer Behaviour & Marketing Strategy

Marketing strategy, as depicted in figure 3.1 begins with an analysis of the market the organization is considering. This requires a thorough understanding of its own, competitors, conditions and consumers. Post market analysis, market segmentation is undertaken where individuals, households or firms with similar needs are identified and grouped. The segments are further described in terms of demographic, geographic, psychological or in any other manner. Eventually, the organization evaluates and decides to target an appropriate segment. The marketing strategy is then formulated to add and enhance consumer value. This is undertaken through marketing mix including product, price, place and promotion (4Ps in case of a product); and people, place and physical evidence (extended Ps in case of a service). Finally, consumer decides through a series of decisions and impacts himself, the firm and the society.

A detailed description of the model is given below.

1. Market Analysis Components

The market analysis components of the model require a sound and complete understanding of four important elements. These four elements include, firm's own capabilities; the capabilities of current and future competitors; the consumption process of potential customers and the social, economic, political, technological and legal environment in which these elements will interact. This is also known as 4C.

(i) The Consumers: While forming the marketing strategy several things are considered. One of the most important elements that must be considered during the process of formulating any strategy is the thorough understanding of the consumer himself.

While doing so it is imperative to distinguish between the consumer and the customer.

A consumer is defined as an individual engaged in physical activities of evaluating, acquiring, using or disposing of goods and services. A customer on the other hand is defined as an individual who has purchased a market offering i.e., a product or service. A customer is always defined in terms of a specific product or company. The term consumer is a broader term which emphasises not only the actual buyer or customer, but also its users.

An effective marketing strategy will be able to identify consumer's need. In doing so the wheel of consumer analysis is a very important and useful tool which can assist the marketers in understanding the consumer behaviour better.

The different elements and aspects of the wheel of consumer analysis shall be discussed at length in the subsequent unit. However a brief discussion of the concepts is shared below.

- **Affect & Cognition:** Affect refers to how people feel. Cognition on the other hand means what people are thinking about. Affect and cognition therefore helps in deciding which types of customers one want to target, and what should they be feeling and thinking about a brand.

- **Consumer Behaviour:** Consumer behaviour can be defined in varied ways. The ultimate objective of understanding it should lead to positive action towards a particular product or a brand.

- **Consumer Environment:** Consumers are influenced by the environment around them. The environment plays a very significant role in consumer's decision-making.

Figure 3.2: Wheel of Consumer Analysis

(ii) The Company: It is very important for a company to completely understand its own ability to meet the needs of its customers. This therefore requires a thorough examination of its own internal strengths and weaknesses. The SW tool can come handy while trying to do so. The company must evaluate all its aspects including its human resources, financial condition, managerial skills, production capabilities, technological capabilities, research and development facilities, reputation and marketing skills. If in case a company fail to adequately understand its own strengths and weaknesses it may experience troubled water. Many reputed companies in the past have experienced failure owing to inadequate understanding of their capabilities.

(iii) The Competitors: Market analysis is incomplete without an effective understanding of the firm's competitors. A robust market analyses must assist in flagging competitors in the market and devise ways to compete and win against them. Analysis of the **competitors** is an evaluation of the strengths and weaknesses of current and potential competitors and allows an organization to focus on its direct competition which becomes useful when faced with potential competitors.

(iv) The Conditions: The 4th C in the market analysis is the Conditions. All the firms operate in an environment which is very dynamic and affects the overall marketing strategy of any firm. The economy, social structure, environmental factors, government rules and regulations, technological advancements and several other factors affect consumers need as

well as company and competitor abilities. It is therefore not at all possible to develop a sound marketing strategy without understanding the conditions under which the strategy will be implemented. PEST or PESTLE analysis is a useful tool in this direction and assists organizations to understand the conditions in a better manner.

A PESTLE analysis is a framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation or its overall strategy. It is designed to identify and analyze the key drivers of change in the strategic or business environment. The PESTEL stands for:

- P – Political
- E- Economic
- S- Social
- T- Technological
- L- Legal
- E- Environmental

The results of PESTLE analysis are utilised in identifying threats and opportunities which are used in SWOT analysis. The exhibit 3-3 briefly explains the important elements of the framework.

Exhibit 3.3: PESTLE Framework

The first ever use of the concept of PESTLE can be traced back to Aguilar in 1967 who had discussed ETPS (Economic, Technical, Political, and Social) in his book *Scanning the Business Environment*. Post publication, Brown modified the theory and named it STEP (Strategic Trend Evaluation Process). This was further modified and became known as the STEPE analysis (Social, Economic, Political, and Ecological factors). Post 1980, the word PESTLE originated.

Political	• What political or politically motivated factors are affecting the	Political factors are both internal and external in nature. The internal politics may include team jealousies, power centres, personal interests etc and necessitate reflection by stakeholders. The external politics refer to those events which are beyond the control of stakeholders and include all political

	business? • Are policies or politically motivated groups beneficial or detrimental to our success?	events like tax policies, employment laws, trade reforms and restrictions, environmental regulations, political stability, tariffs etc.
Economi c	• Does the current economic performance affect us? • How does inflation, unemployment or interest rates impact on our prices?	This factor takes into consideration all events that affect the internal and external economic environment. The internal or micro-economic events relate to the project feasibility and internal dependability of the project. The external or macro-economic events include inter-state taxes, interest rates, economic growth, recession, inflation rate, exchange rate, minimum wage, wage rates, unemployment, cost of living, working hours, credit availability, financing availability, etc.
Social	• How does human behaviour or cultural trends play a role? • Are customers buying more over the holidays?	Social factor include all events that affect the market's and community's social structure and process. These events include norms, cultural expectations, population dynamics, healthy consciousness, career attitudes, global warming, etc.
Technol ogical	• What new innovations or technological advancements are available? • Do these affect operations favourably or unfavourably?	Technological factors are very important factors as they change very rapidly and become outdated soon.
Legal	• What laws are relevant to us? Are there any	This factor takes into consideration all legal aspects like employment, quotas, taxation, resources, imports

	regulations hindering the business? • What legal issues exist in emerging markets?	and exports, etc.
Environ mental	• How does the physical environment affect us and vice versa? • What are the effects of climate, weather or geographical location?	This factor takes into consideration ecological and environmental aspects that could be either economic or social in nature. These include temperature related aspects, monsoons, natural calamities like floods, earthquakes etc, accessibility to means of transportation including rail, air, and road, ground conditions, ground contamination, nearby water sources, and so forth.

2. Market Segmentation

One of the most important yet difficult decisions that often haunt the firms is to decide the segment to serve. Simply put a market segment is a part/portion of a bigger market whose needs differ from the market. Marketing identifies the needs of the potential customers and develops product and service to satisfy those needs. Marketing strategies, move a step further to convert this concept into a reality. It is evident that different consumers have different needs and not a single way can be designed to motivate them all in favour of a product or service. Companies therefore resort to segmentation strategy in order to address this problem, and group similar consumers into market segments and focus on their common needs. Any of the marketing strategies are only effective unless they clearly create segments with the appropriate characteristics, and target the segments with products and services customized to their specific needs.

Market segmentation involves four steps and is depicted in Figure 3-3.

- Identifying Product-Related Need Sets
- Grouping Customers With Similar Set Needs
- Describing Each Group
- Selecting An Attractive Segment(s) To Serve
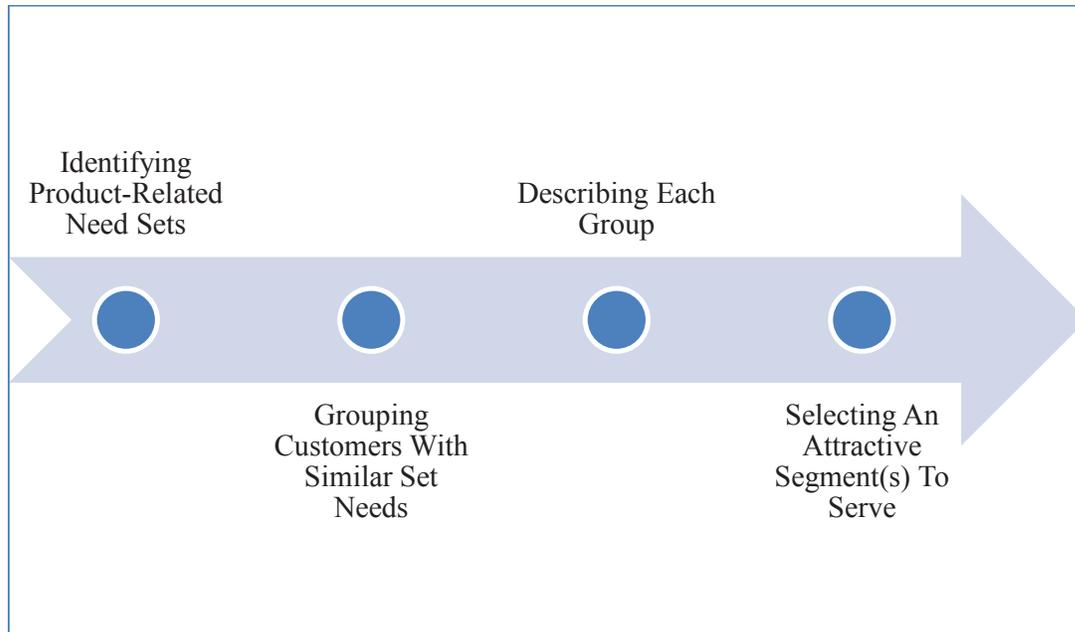
Figure 3.3: Market Segmentation

Additionally market segmentation is primarily of four types:

- Geographic
- Demographic
- Psychographic
- Behavioural

A brief description of the market segmentation types is mentioned in the exhibit 3-3.

Exhibit 3.3: Market Segmentation

Geographic	Demographic	Psychographic	Behavioural
Grouping customers on the basis of geographical boundaries/characteristics.	Grouping customers on the basis of customer's personal attributes.	Grouping customers according to life style.	Grouping customers based on actual customer behaviour toward products and services
- Region - Country	- Age - Gender	- Lifestyle - Personality	Brand Loyalty

• Population • Climate	• Occupation • Ethnicity • Income • Religion • Family Size • Education	• Values • Attitudes • Opinions • Interests	• Benefits Sought • Usage Rates • User Status • Occasion • Readiness To Buy

3. Marketing Strategy

We have discussed that creating superior value is an important objective of any firm. Marketing strategy is responsible for creating as well as sustaining this superior value which prevents a product or a brand to lose before its competitor. The strategy offers answer to the question, "How will we provide superior customer value to our target market?" Marketing Mix supports in creating this value through product, price, place, promotion and service to the target market. The combination of these four elements facilitates customer's need satisfaction and provides customer value. Putting simply marketing mix is about putting the right product, in the right place, at the right time, and at the right price.

The Figure 3.4 below provides a snapshot of the Marketing Mix.

Figure 3.4: The Extended Marketing Mix (7Ps)

Product: A product is anything that a consumer acquires or wishes to acquire in order to satisfy a perceived need. It is a bundle of benefits that firms offer for the satisfaction of a need. The crux of marketing strategy lies in communicating about consumer's tastes and preferences and facilitating creation of products that will satisfy their needs the most. Successful companies are smart enough to identify well in time what customers need or want and rapidly develop the right product with the right level of quality to meet their expectations.

Price: Pricing is one of the most important elements of marketing mix. It is the only element of the marketing mix that generates revenue for the firm. The other elements only add cost to the firm. It is very important to set a competitive price of a product. Marketing strategy must be responsive enough to assist marketers in arriving at a product price which customers are prepared to pay.

Place: Consumer will always look out for convenience. Only in rarest of the rare cases consumer will get into trouble to possess a particular brand. Place or distribution therefore is a very important and refer to availability of a product. Companies must know the significance of this element of marketing mix that the product must be made available to the consumer in the right place, in the right quantity and at the right time. The company that are able to keep storage, inventory and distribution costs to an acceptable level are able to outsmart its competitors.

A sound marketing strategy assists marketers in understanding where target customers shop for a set of products. This has assisted big giants like Wal Mart to be able to add value in the shopping experience. In fact Wal-Mart surpassed its competitor K-Mart using a sound

consumer research and IT-support in creating an effective and efficient inventory management.

Promotion: Promotion is a yet another important element of the marketing mix and refers to the way a company communicates about its offering to the customers. In practice promotion includes activities that encompass branding, advertising, PR, corporate identity, social media outreach, sales management, special offers and exhibitions.

A sound marketing strategy assists marketers in designing effective communication strategy and must include in its gamut:

- Segments/consumers to communicate with.

- Effect intended on the target audience.

- Message that will achieve the desired effect on the target audience?

- Means & Media to be used to reach the target audience?

- Timing of communication with the target audience?

People: We have seen that consumer behaviour involves an interaction. While exchanging products or service the consumer comes in contact with the firm and its stakeholders either directly or indirectly. Many customers create an image of the firm while interacting with the providers. Marketing strategy therefore must be very careful about adding value to this experience of theirs. People who will come in contact with customers will have a deep effect on them – positive or negative and marketing strategy must strive for a positive one.

Process: For many customers it is no longer about buying a product or a service. They look beyond buying and are rather interested into investing into an experience. The process involved in delivering the product or service, the behaviour of those who deliver it, delays, the information provided to customers and the cooperation of staff are vital aspects of the processes and must be tuned towards greater customer satisfaction.

Physical Evidence: Physical evidence is an important element in the marketing of services as the customer cannot experience the service before he purchases one. This amounts to anxiety as choosing an unfamiliar product or service is risky for the consumer. Marketing strategy must aim at reducing this uncertainty by helping potential customers 'see & feel' what they are buying.

For example think of creating a clean, tidy and well-decorated reception area or homepage. Remember if your digital or physical premises aren't up to scratch, the customer might end up being sketchy about your services.

The exhibit 3.4 below depicts the 7Ps used in marketing mix of a product and service.

Product	Quality, Image, Branding, Features, Variants, Mix, Support, Customer Service, Use Occasion, Availabilities, Warranties
Price	Positioning, List, Discounts, Credit, Payment Methods, Free or Value Added Elements
Place	Trade Channels, Coverage, Assortments, Locations, Inventory, Transport
Promotion	Sales Promotion, Advertising, Sales Force, Public Relations, Direct Marketing
People	Employees, Organization Culture, Customer Service, Customer Relationship Management
Process	Customer Focus, Business-led, IT-supported, Design Features, Research & Development, Standardization, Service Delivery
Physical Evidence	Experience, Product Packaging, Online Experience

Exhibit 3.4: 7 Ps

4. Consumer Decisions

A consumer moves through several stages before actually purchasing a product or a service. The consumer decision making process is a step by step approach that assists marketers in identifying and tracking the decision making process from start to end and even beyond.

The process consists of following steps.

- Problem Recognition
- Information Search
- Evaluation of Alternatives

- Purchase

- Post Purchase Satisfaction or Dissatisfaction

It is important for marketers to understand the process and create marketing strategies that clearly identify the need and result into satisfied post purchase behaviour.

A detailed description of the consumer decision-making will be dealt in the next unit.

5. Outcomes

(i) Firm Outcomes

- **Product Positioning:** The ultimate aim of marketing is a satisfied customer. The first the foremost outcome that a firm must strive for through effective marketing strategy is that of product positioning. The product must be positioned positively and strongly in the mind of the customers. The product position can be defined as an image of the product or brand in the consumer's mind relative to alternate or competing products or brand.

- **Sales:** Sales are very important outcomes for any firm as they produce revenue and generate profits which are required for successful business operation ahead. A sound product position of a brand will subsequently lead to higher volumes of sales.

- **Customer Satisfaction:** A bunch of satisfied customer is the final outcome any firm will always strive for. Organizations work towards creating and sustaining satisfied customer base throughout.

(ii) Individual Outcomes

- **Need Satisfaction:** A sound marketing strategy will also lead to need satisfaction at the individual level. This can range between complete satisfaction or no satisfaction from the offering.

(iii) Society Outcomes

- **Economic Outcomes:** We have seen that consumer behaviour involves exchange. In the exchange process the consumer exchanges money for a value offered by a product. During the exchange the society or market place in particular is benefitted through way of wealth creation.

- **Physical Environment Outcomes:** Decisions that a consumer takes impact himself as well as the physical environment of the society. For example decision of a target group not to eat meat will result into alteration of the physical environment. Many customers are now moving on to consumption patterns that have minimal negative impact on the environment.

- **Social Welfare:** Consumer decisions also affect the general social welfare of a society. During the exchange process several outcomes can be made visible that have an impact on overall quality of life in a society. More recently, the concepts of societal marketing, green marketing etc have also resulted into responsible business.

Check Your Progress-A

Q1. Discuss the nature of Consumer Behaviour?

Q2. Discuss applications of Consumer Behaviour.

Q3. State True or False

i.   Consumers are unique. They possess different set of needs and wants.
      a. Yes
      b. No

ii.   Consumer behaviour is dynamic and involved an exchange and interaction.
      a. Yes
      b. No

Q4. Fill in the blanks.

i. ETPS stands for _____, _____, _____, _____.

ii. STEP stands for _____, _____, _____, _____.

iii. PESTLE stands for _____, _____, _____, _____, _____, _____.

iv. The 7 Ps of the marketing mix include _____, _____, _____, _____, _____, _____, &
_____.

3.6   SUMMARY

The marketing concept in recent times has gained prominence among the marketers. Simply put, the marketing concept suggests satisfaction of consumer's needs and wants in order to make profits. To achieve so it is imperative for the organizations to understand the customer and remain close to them to design and provide products and services which consumers will buy readily. The organizations in the 21st century therefore require resources to create marketing strategies that understands and deliver to the unique and dynamic consumers. This unit discuss the role of marketing strategy in understanding the consumer behaviour effectively.

3.7   GLOSSARY

Consumer Behaviour: The dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives.

Marketing Strategy: Marketing strategy has five elements: it deals with where the organization plans to be active; how it will get there; how it will succeed in the marketplace; what the speed and sequence of moves will be; and how the organization will obtain profit.

Market Segment: Market segment is a part/portion of a larger market whose needs differ from the larger market.

Marketing Mix: Marketing mix is about putting the right product or a combination thereof in the place, at the right time, and at the right price.

Consumer Decision-Making: The consumer decision making process is a step by step approach that marketers employ to identify and track the decision making process from start to end and even beyond.

Product Position: An image of the product or brand in the consumer's mind relative to alternate or competing products or brand.

3.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q3. State True or False

i.   Yes
ii. Yes

Q4. Fill in the blanks.

i.   Economic, Technical, Political, and Social
ii.   Strategic Trend Evaluation Process
iii. P – Political

E- Economic

S- Social

T- Technological

L- Legal

E- Environmental

iv. Product

Price

Place

Promotion

People

Process

Physical Evidence

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3.10 SUGGESTED READING

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2. Consumer Behaviour: Implications for Marketing Strategy, Del I. Hawkins, 6th Edition, Irwin, 1995

3.11 TERMINAL & MODEL QUESTIONS

Q1. How is the field of consumer behaviour defined?

Q2. What is involved in the consumer analysis phase of market analysis?

Q3. What is involved in the company analysis phase of market analysis?

Q4. What is involved in the competitor analysis phase of market analysis?

Q5. What is involved in the conditions analysis phase of market analysis?

Q6. Describe the process of market segmentation.Q7. Discuss different criteria of segmentation.

Q7. What is marketing strategy?

Q8. What is marketing mix?

Q9. What are the major outcomes for the firm, individual and society?

UNIT 4 CONSUMER RESEARCH: TYPES AND PROCESS

4.1 Introduction

4.2 Objectives

4.3 Meaning of Consumer Research

4.4 Objectives of Consumer Research

4.5 Difference between Consumer Research and Market Research

4.6 Types of Consumer Research

4.7 Features of Consumer Research

4.8 Scope of Consumer Research

4.9 Consumer Research Process

4.10 Conduction of Consumer Research

4.11 Summary

4.12 Glossary

4.13 Answers to Check Your Progress

4.14 References

4.15 Suggested Readings

4.16 Terminal Questions

4.1   INTRODUCTION

In the previous unit you have learnt about different marketing strategies which a company frames for a successful business. In this unit you will learn about consumer research. Research is the action or activity of gathering information about consumers' needs and preferences. Consumer research is an effective tool for marketing decision making. A researcher can able to identify the uncertain behavior of consumer through research. This unit will cover concept of consumer research, different types, process of consumer research and research design.

4.2 OBJECTIVES

After reading this unit you would be able ;

- To understand the meaning of consumer research
- To understand different types of consumer researches
- To understand different features and scope of consumer research
- To know the difference between consumer research and market research
- To know the difference between quantitative research and qualitative research
- To learn the process of consumer research.
- To learn the various consumer research designs.
- To understand the data collection methods of consumer research.

4.3 MEANING OF CONSUMER RESEARCH

It is an extension of the field of marketing research. The findings of marketing research facilitate us in making effective managerial decision, in the same way the findings of consumer research help us in understating consumer behavior. Consumer Research is done to know the preference and behavior of the consumer regarding products and services. It also used for doing comparative analysis of different marketing campaigns. The research focuses more on building strong connection between company and consumer by building relations through study of customer behavior.

Companies have an interest in understanding that how their consumers will react to certain promotion massages, how they make decision for making purchase as they do. This facilitates companies to formulate better marketing strategies and promotion messages that will influence the customer more effectively.

4.3.1 EVOLUTION OF CONSUMER RESEARCH

The early researchers believed that consumers are rational in decision making. They purchased those products which provide highest utility at the lowest possible prices. Researchers do not give importance to the influence of emotion on the decision of the consumer. Soon they realized that customers not always logical in decision making. Sometimes they do not consciously aware why they take such decisions. Even if customers are aware about their basic motivation, they are ready to reveal the reasons.

In year 1939 Ernest Dichter a Viennese psychoanalyst discovers that the customers are motivation to purchase products. He discovers the phenomenon with the help of psychoanalyst techniques. Later that is known as motivational research that includes quantitative research and qualitative research.

4.4   OBJECTIVES OF CONSUMER RESEARCH

The main objective of consumer research is to provide consumer related information to the marketing department. Marketing department uses this information for making critical marketing decision to solve the marketing problem.

Few objectives of the consumer research are stated below.

- Consumer research will help to understand the consumer response to the company's product.
- Consumer needs and expectation changes with the changing trends, consumer research helps us to identify changing consumer needs.
- Help companies to know the maximum consumer information regarding their buying behavior.
- Evaluate company's brand value among the customers.
- Help in solving the critical business problem like: product design, brand positioning, consumer usage pattern, price affordability, and promotion effectiveness.
- By studying consumer usage pattern marketers can identify uses of the existing products.
- Research provides ideas for production modification and new product development.
- Research enables marketers to provide more customised products and services by identifying their specific needs.
-

4.5 DIFFERENCE BETWEEN CONSUMER RESEARCH AND MARKET RESERCH

	Consumer Research	**Market Research**
Study Purpose	Consumer Research acts as a tool to connect to the customers during data collection. It strengthens the relationship between the company and the customers. As surveyor reveal the identity of survey's sponsor to the contacted customers.	Respondents are told about the identity of the research's sponsor. Respondents corporate because they are requested to do or they paid for the purpose.
Respondents' level of involvement and expectation	In consumer research respondents take active participation because information giving by them will improve the company's offering. The customers who participate in	In market research the respondent's involvement is generally low.

	the research expect improvement in product offering.	
The sample size and the respondents' attitude towards the researcher's.	Consumer researches generally have big sample size, since it is an opportunity to build relationship with customers. Respondents put their sincere efforts to express their behavior concerning the company's offering.	An appropriate number of respondents are contacted to get a desired result. Respondents do not expect researcher know more about them.
How the data are collected and analyzed	The primary data is collected through data collection tool. The data is analyzed at respondents' level.	Data is collected anonymously and aggregated. Topically compared among sample averages and used in the analysis.
End Result	Research results fixed the product and service problem and also correct individual respondent's problem.	Product and service problem identified with the research results.
Follow-up Surveys	The customers from whom data is collected or the customer who reported the problem expects some feedback. So follow up survey is encouraged.	Using the collected data in follow up research is unethical.

4.6 TYPES OF CONSUMER RESEARCH

The research is broadly classified in to two types on the basis research methodology used in conducting the research i.e. quantitative research and qualitative research.

4.6.1 QUANTITATIVE RESEARCH

Quantitative research method is used to predict the behavior of consumers. The nature of such type of research is descriptive. The methods used in this kind of research are observations, experiments and survey techniques. The data are quantitative in nature and collected randomly from the large sample size. The sophisticated statistical tools are required for data analysis. The findings of the research can be generalized to large populations

Descriptive research: In descriptive research the researcher finds relationship between two phenomenon. The research also determines the frequency of occurrence of an event. In this type of research researcher do not have any control over variables. In such type of studies

researcher seek to measure items such as; frequency of shopping of a specific product by customer or Preference to product by youth buyers. The data obtained for the descriptive research can be put directly into various statistical tools for analysis. The researcher determines the list of variables taken into analysis and state the method of measuring all variables.

Casual Research: Casual research is most specific type of research, in which researcher tries to determines a casual relationship between variables under study. For example change in the new product packaging and customer demand of product or change in the product displays in the retail store and customer purchase. This type research is a field test or experiment research.

4.6.2 QUALITATIVE RESEARCH

Qualitative research consists of many techniques like focus group projective technique, depth interviews, metaphor analysis and collage research. These research tools are administrated by much trained researchers. Qualitative research has small sample sizes, generally experts and experienced respondents are being interviewed for the data collection. The findings are cannot be generalized into large populations. The research are mostly used for promotional ideas, new product development etc.

Exploratory Research: The main prominence to exploratory research is to explore new ideas. The research is used when researcher knows very little about the topic under study or there is very vague knowledge about the topic. This type of research enables researchers to understand the fundamental of researched topic and go deeper for the focus study. The data used in exploratory research are primary and secondary both. Primary data can be collected through tools like focus group and interviews.

4.6.3 COMBINATION OF QUANTITATIVE AND QUALITATIVE RESEARCH

The Combination of quantitative and qualitative research facilities companies to make strategic decision for many business problems. For example qualitative research is used for discovering the new ideas for new product development, and Customer reactions are predicted with the help of Quantitative research regarding new product. Market researchers found these two researches really complementary, the quantitative research enables researcher to make effective predictions, and the qualitative research enables them to make effective interpretations. This help companies to frame their marketing strategies

4.6.4 DIFFERENCE BETWEEN QUANTITATIVE RESEARCH AND QUALITATIVE RESEARCH

	Qualitative Research	**Quantitative Research**
Study Reason	It provide researcher insight idea about the certain study	The research helps in determine target markets and provides results that can be used taking effective

	which is not well known.	marketing decisions.
Nature of Questions	Open ended questions are used in data collection tool and questions are generally Unstructured.	Close ended questions are used for data collection and questionnaire consists of attitude scales.
Data Collection Methods	Focus group, Depth interviews and Projective techniques are used for data collection.	Observation, Experimentation and Questionnaires are used for data collection
Sampling Methods	The qualitative research have small sample sizes and have non probability samples	Probability sampling techniques are used due to large sample sizes.
Analysis of Data	The data is analysed by searching of "key words". This is generally done the researcher who collected the data.	The statistical methods are used for data analysis.

4.7 FEATURES OF CONSUMER RESEARCH

Research a Systematic process: Consumer research is conducted through a specific process. It starts with identify the research objectives or problem, then refer the secondary data, designing of research plan, data collection, data analysis and interpretation and draw conclusion. That shows research has a scientific and systematic way solving marketing problems.

Associated with MIS: Consumer research is an important component of Marketing Information System (MIS). Research and MIS both provide marketing information to management for effective decision making. Both are used to solve critical marketing problem.

Collection of Information: Consumer research collects information from the consumers related to their changing needs, unmet demand and feelings towards company's current products and promotions. Research provides ideas for improvements in current products and for development of new products.

Tool for decision-making: A marketing manager needs to take various decisions. The decisions like product decision, pricing decision, placement decision and promotion decision. For effective decisions lots of consumer and market information are needed. Research provides authentic information to company for making effective decisions and help companies to frame better marketing policies.

Use different methods: Business has many problems and nature of each problem is different from other. Decision maker needs different type of information for decision making. So researchers need to adopt different research methods to fulfill the requirements. For data collection survey method, experiment method and observation method are used and for data analysis various scientific tools and statistics tools are used. The researcher has to adopt suitable method reliable results.

4.8 SCOPE OF CONSUMER RESEARCH

Consumer research gives solutions to many critical marketing problems and its application is in almost every aspect of marketing.

Market Research:

- Identify the potential of the current and future markets;

- Identify the changing purchase trends;

- Identify the future sales and market demand

Product Research:

- Identify the areas of improvement in products.

- Identify consumer preference regarding product;

- Understand the customer attitude towards company's product and brand.

Advertising Research:

- Identify the advertising appeal to customs.

- Identify effectiveness advertisement message.

- Help in effective Media selection for promotion.

- Identify the overall effectiveness of the advertising.

Pricing Research:
- Identify the customer expected prices.

- Help to Test the alternative pricing strategies.

Check Your Progress-A

Q1. What is consumer research?

Q2. Explain the scope of consumer research.

Q3. What is the difference between consumer research and marketing research?

Q4. Describe different features of consumer research.

Q5. State whether the following statement are true (T) or false (F):-

   i.   Marketing manager used consumer research as a decision making tool.
   ii. Observation method is a data collection method for qualitative research.
iii.   Consumer research will help to understand the consumers' response towards the company's product.
   iv. Consumer research helps in selection of media for promotion.

4.9   CONSUMER RESEARCH PROCESS

Steps of consumer research process

- Define the research objectives
- Secondary data collection and evaluation.
- Primary research study design
- Primary data collection
- Data analysis
- Report preparation on the findings
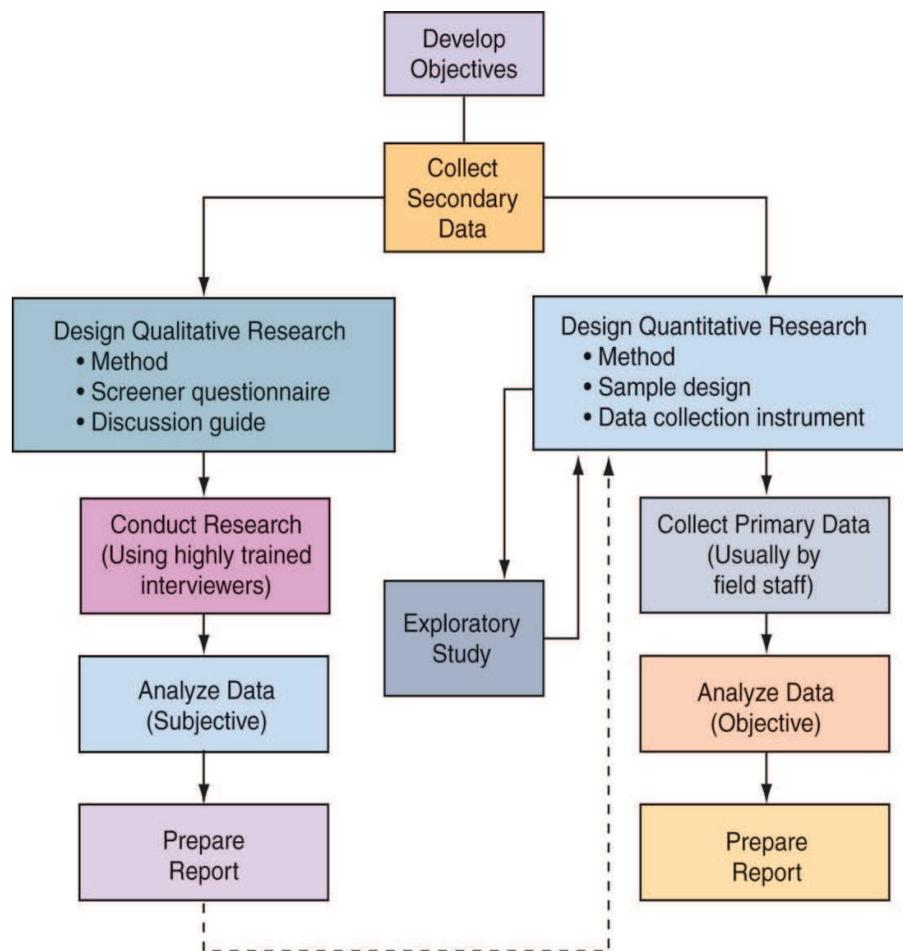
Fig 4.1 The Research Process

4.9.1 DEFINE THE RESEARCH OBJECTIVES

The study objectives of can be framed as:

- To find out the customer attitude towards dine in restaurant.
- To determine what percentage bank customers uses Internet banking.
- To find the customers attitude towards shopping through e wallet.

It is very essential that research team should agree on the purpose and objective of the study to ensure a proper research design. An appropriate objectives statements help to determine nature of needed.

Before conducting the research a researcher must understand the type of methodology used to conduct the research. The study performed by researcher can be qualitative or quantitative in nature. For example if the objective is to find out promotional campaign idea for new cosmetics range for females. Then a qualitative research is generally undertaken. In such type of research expert researcher will be taken for research, the respondents will be interviewed face to face and relative small sample size will be taken for study. If objective is to find out the females' attitude of age more than 40 years regarding cosmetics. The quantitative research will be undertaken in such type of research.

4.9.2 SECONDARY DATA: COLLECTION AND EVALUATION

The data which is already published in journals, books, websites etc are called secondary data. Secondary data can also be gathered from the company records, reports and other documents. The nature of secondary data is such that it can be the findings of other researches. In some cases secondary data is quite enough for the analysis of the result. But most of the times it provide the direction for the design of primary research. Secondary data can be found from the government agencies, market research firms, advertising agencies are the important sources of secondary data for the firms. Government agency Indian Census Bureau provides demographic data on age, income, occupation and education of Indian citizen region wise. A media research company provides data regarding readers profile, circulation figures news papers and magazines region wise.

If information needed regarding, social, psychological variables, purchasing pattern and product usage pattern than then primary data is required for research.

4.9.3 PRIMARY RESEARCH STUDY DESIGN

The research design always base on the objectives of research. If the research objective is to create new application of the product then the research undertaken will be qualitative research. If the objective is to find the customers' preference regarding product then the study is descriptive in nature and researcher conducts quantitative research. It is due to different approaches of different type of researches different research designs and data collection techniques are applied.

Quantitative Research Design

The quantitative research designs are as follows:

Observational Research: Observational research is the important method for consumer research. It is the best way to understand customers and their relationship with products. In

this type of research customers deeply observed in the process of buying and consuming products. Many research consultancies, companies and advertising agencies use to trained researchers and observers to note and record customers in stores, malls and homes.

Mechanical Observation: Mechanical and electronic devices are used to record customer response on marketing strategy. A retailer may use a traffic counter to find out the feasibility of a store in new location. Researchers may use other devises like close circuit cameras.

Experimentation: In this type of research many types of variables are studied to test their sales appeal. The variables can be price, promotion, design and service etc. In such experiments only some variables are manipulated while all others are kept constant, a controlled experiment of this type ensure that any change in outcome is due to different treatment of the variables in the study and not to extraneous factors. For example major application of causal research is in test marketing. In test marketing new product is launched in a limited territory before launching in mass market. New product elements such price packaging and promotion is manipulated in a controlled setting to predict sales and gauge possible responses of the product.

Survey: If a company want to research on the customer perception regarding the quality of the product. They can collect data through mail, telephone, online or through personal contact. Each method has its certain advantages and disadvantages that researcher need to measure before selecting any method.

Mail Survey: Researcher can directly send their questionnaire to the customers at home. But this type of method has very low response rate. Response rate can be improves with tactics like sending the stamped self addressed envelope to the respondents along with the questionnaire and sending a pre-notification and follow up letters to the respondents.

Personal Interview: A personal interview can be conducted for the purpose of data collection. It can be done at malls or retail shopping areas and at home. Major disadvantage of this method is that people shown reluctance to allow strangers to visit at home.

Online Survey: Online survey is conducted on computer through internet. Respondents are asked to fill the questionnaires available on the company website or excess through link advertised at home page. Disadvantage of such method is that all types of respondents are not available on internet.

Telephone Survey: In telephone survey researcher contact the respondents through telephone and collect the data through telephone after asking it respondents felt convenient. Telephone survey enables researcher to collect data from different geographical locations. Speed of data collection is also very high. The technique is not appropriate in case of big and lengthy questionnaire.

Instruments of data collection for quantitative research

Instruments of data collection are the important part of primary research design. In order to get desired result from the research the researcher has to ask same questions to all the respondents in the same order. Data collection instruments includes: questionnaires, personal inventories, **a**ttitude scales**.**

Questionnaire A questionnaire is a primary research data collection tool, which consist of set of questions in a specific order. Questions are framed on the on the basis of objectives led

down by the researcher. Questionnaires are self administrated or can be administrated by the field surveyors. Questionnaires need be interesting. Objective oriented, easy to understand. A questionnaire can be open ended or close ended. In an open ended questionnaire respondents required to give answers in own words. While in close ended questionnaire responded required to choose answer from the list of options.

A sample Questionnaire for consumer Satisfaction Survey

Instructions

Please circle the response that best represents your view. Please circle N/A for any questions that you don't have enough experience to comment on. Following is an example of the scaling system.

Satisfied										Dissatisfied	
10	9	8	7	6	5	4	3	2	1	N/A	

Buying Process											
Sales staff professionalism:											
10	9	8	7	6	5	4	3	2	1	N/A	
Ability to understand your needs:											
10	9	8	7	6	5	4	3	2	1	N/A	
Expertise of sales staff:											
10	9	8	7	6	5	4	3	2	1	N/A	
Turnaround time for delivery:											
10	9	8	7	6	5	4	3	2	1	N/A	

Value Proposition											
Value for money:											
10	9	8	7	6	5	4	3	2	1	N/A	
Our value proposition is clearly communicated & understood:											
10	9	8	7	6	5	4	3	2	1	N/A	

Products/Services
How effectively does our product/service solve your problems?
10   9   8   7   6   5   4   3   2   1   N/A
How would you rate the overall quality of our product/service?
10   9   8   7   6   5   4   3   2   1   N/A

Customer Service & Support
How effective are we at reacting and solving your issues?
10   9   8   7   6   5   4   3   2   1   N/A
What level of courtesy do you receive from our Customer Service team?
10   9   8   7   6   5   4   3   2   1   N/A
Compared to your other suppliers, how would you rank our ability to serve you?
10   9   8   7   6   5   4   3   2   1   N/A

Personality inventory: It helps people learn about their own personality. The tool helps individuals to know about their strength, weakness and social traits. The tool is also used to identify the satisfaction level of the consumers' regarding products and services.

Attitude scales: Researchers often present a list of products or product attributes to the respondents. Researchers then ask respondents to show their relative feelings. Their feelings regarding products are captured through attitude scale and analysed with the help of statistic tools. Generally the scales which are used are rank order, Likert scales, behavior scale and Semantic scale.

The **Likert scale** is most accepted scale for research because it is easy for customers to understand. This is wide acceptable because it is simple to prepare and interpret. The scale consist of equal no of agreements and disagreements with a natural point, a number is assigned to each response. The respondent just needs to check the desired option.

Example of Five Point Likert Scale

Statement	Strongly Agree	Agree	Can't Say	Disagree	Strongly Disagree
I always prepare a shopping list before purchase from departmental store.	5	4	3	2	1

The **Semantic differential scale** consists of bipolar adjectives like (Pleasant/Unpleasant, Good/Bad, Hot/Cold, Like / Dislike) fix at the end of an odd number (example: 5, 7 or 9). Respondents checks the option which best reflect their feelings.

For Example Semantic differential scale

Please check the alternative of your choice which best represent your feelings, while shopping at our retail store.	
1	Your feeling about environment of our store
	Pleasant ○ ○ ○ ○ ○ ○ Unpleasant
2	Your feeling about our employees' behavior of our store
	Good ○ ○ ○ ○ ○ ○ Bad

The **Behavior intension scale** measures the possibility of consumers' doing an act in the future. For example visiting the same store again or Recommend the store to friend. Respondents asked to make choice regarding their future behavior.

Example of Behavior intension scale

Visiting the same store again				
Definitely will visit	Probably will visit	Might or Might not will visit	Probably will not visit	Definitely will not visit
Recommend the store to friend				
Definitely will recommend	Probably will recommend	Might or might not will recommend	Probably will not recommend	Definitely will not recommend

The rank order scale is used when the comparative information regarding products are needed. Rank order scale enables marketers to identify the areas of improvements in the product design or product positioning. In rank order scale the respondents need to rank the items as (1,2,3....) starting from the most prefer to the least preferred.

Example of Rank Order Scale

Please rank the following banking method as per your preference from 1 to 5 (1=Most Preferred, 5= Least Preferred)		
S.no.	**Banking Methods**	**Rank**
1	Inside Bank	
2	ATM	
3	Online Banking	
4	Banking by Phone	
5	Banking By Mail	

Data collection method in Qualitative research design

In Qualitative research design the purpose of the study and type data required for the research need to be clear to the researcher. Generally open ended and free response questions are asked from the respondents to get real thoughts and inner most beliefs of the respondents.

The most used data collection techniques are: Focus Groups, Projective Techniques, Depth Interview and Metaphor analysis. These techniques are used to identify the product related belief and portray customer attitude.

Depth Interview: The depth interviews are long non-structured interviews of the respondents taken by a trained interviewer. Respondents are encouraged to talk feely and express their activities, interest and attitude towards the products and brand under study. Video recording of the interviews are done to study the mood, interest and body language of the respondent. It is used for getting new ideas regarding product redesign and product positioning.

Focus Groups: In focus group technique 10 to 12 respondents have a discussion on a product. The group consists of a moderator- analyst who controls the group discussion. The moderator encourages the group to discuss about their interest, reactions, motives, feeling, and attitudes about the researched product.

Projective Techniques: The projective technique consists of various disguised test that contains ambiguous stimulus. The test contains some exercise like complete the sentences, untitled pictures or cartoons and word association test. This technique is designed to know the underline motive to the individuals. The method is closely associated with researching consumer needs.

Metaphor analysis: It was found that most of the people most of their communication through non verbal medium. People always think in images rather than words. If consumers thinking process consists of series of images or pictures. Then it is important to collect consumers' feelings regarding research subject through sound, music and drawing.

Measurement of Customer Satisfaction: The supreme concern for every company is customer satisfaction. Companies conduct consumer research regularly and used data to retain customers and improve the quality and value of offering. The tools used are: mystery shoppers customer satisfaction surveys, expectations versus experience and gap analysis etc.

Techniques of Sampling

A sample is a small part of the population under research, which having same characteristics to represent the whole population.

A sample plan addresses the following questions:

- Whom to survey? (The sampling Unit: The respondents)
- How many respondents are needed to survey for research? (Sample size)
- How to select them? (The sample procedure)

There are two types of sampling technique probability or non probability sampling technique.

Probability Sample	
Simple Random Sample	Every respondent have equal change to be in the sample of research.
Stratified Random Sample	The whole population is classified in to groups for example the population is classified in to age groups and samples are drawn from each group randomly.
Cluster (area) Sample	The whole population is grouped as per their location and

	samples are taken location wise from the groups.
Non probability Sample	
Convenience Sample	If the researcher picks the most convenient population members in the sample for data collection. The method is called convenience sampling
Judgment Sample	In judgment sampling method the researcher select the sample by using his judgment. The respondents group which are good prospects.
Quota Sample	In this type of sampling the researcher take the specific number of respondents from each category.

4.9.4 PRIMARY DATA COLLECTION

The data collection in case of qualitative research, higher trained social scientists is needed. Quantitative research study generally used field surveyors for data collection. The researcher needs to supervise the whole process and regularly and ensure the progress in research. The researcher must review the completeness of the questionnaire regularly and make sure the recorded responses are clear, complete and legible.

4.9.5 ANALYSIS OF DATA

The data in qualitative research is analyzed by the researcher by identifying the "keywords" in the collected data. The common responses on researched variables are identified to present the findings. In quantitative research the researcher first tabulate the data and then by using sophisticated analytical programs the data analysis is done. The researcher correlates the data through research variables and then grouped the data as per the independent demographic variables.

4.9.6 REPORTING THE FINDINGS

In both qualitative and quantitative researches report include the executive summary of the research findings. Report should include the research methodology stating objectives, design of sample, instruments of data collection, techniques of data analysis, interpretation of data and findings. The researcher can also include tables, and graphs to support the findings. A sample of questionnaire should be included in the appendix that will facilitate management to evaluate the objectivity and findings.

4.10 CONDUCTION OF CONSUMER RESEARCH

A researcher need understand and follow the whole research process carefully. For example if the study objective is to develop segmentation strategies for the new fitness centre. The researcher would first collect the secondary data of population information such as number of

fitness conscious men and women, in a specific area, age occupation and income. Then the researcher and the marketing manager has to decide the parameters of the population to be study (i.e. identify the sample unit). For example (the study is conducted on the men and women between the ages of 18 years to 40 years lived in newly developed areas of city). A qualitative research (focus group) need to be under taken to collect the information about the target group and their attitude towards physical fitness. The researcher also needs to find the special interest and extra services customers are looking from a fitness centre. The result of the study will give a tentative idea about the age group to target and the service to offer.

The researcher now conducts a quantitative research to confirm the findings that appear from the focus group study. The study should provide sufficient information to frame a research design for a large sample survey. If the researcher still has doubt in any component of research design such as framing of question or sequence of question, scale used etc. then researcher can conduct a pilot study or small sample research. After refining the questionnaire and other components of the research design, the researcher should conduct the large sample quantitative research, using the probability sample. The probability sampling let researcher knows the findings of the total population age group 18 years to 40 years. The data analysis should grouped prospective customer into segments for fitness centre. The segments are based on the consumer characteristics like life style, habits, attitude and perceptions.

Check Your Progress-B

Q1. What are the different types of quantitative research design?

Q2. Explain different sampling techniques.

Q3. What is a questionnaire? Explain different research scales used in questionnaire.

Q4. Explain different types of qualitative research design.

Q5. Fill in the Blanks with appropriate word or words.

i.   Questionnaire is tool for ……………… data collection
ii.   In------------------ 10 to 12 respondents discussed about a product.
iii. Company records and reports are the sources ---------------------------- data sources for research

4.11 SUMMARY

The consumer research is an extension to the field of market research. Consume research enables researchers to predict what customers do in the market place. Why they react in a particular way, from where and what they purchase from the market place? The consumer research is conducted to for managerial prospective is to improve strategic decision making is called as positivism. This positivism is a quantitative type of research in which empirical research is conducted. Consumer research is used to identity cause and effect relation between two variables under study. It is supplemented with qualitative research.

Qualitative research is conducted to know the consumer psychology towards a product category that result the customer perception, feeling and emotion towards a product, product category or an advertisement campaign. Qualitative research has small sample sizes, generally experts and experienced respondents are being interviewed for the data collection. The findings are cannot be generalized into large populations. The research are mostly used for promotional ideas, new product development etc. Interpretivism a qualitative research prospective is generally more concern with understanding act of consuming rather than buying. The research process whether qualitative or quantities consists of six steps i.e. Define the research objectives, Secondary data: collection and evaluation, Primary research study design, Primary data collection, Data analysis, Report preparation on the findings. The collection of data in case of qualitative research higher trained social scientists is needed. Quantitative research study generally used field surveyors for data collection. During the collection of data the researcher needs to supervise the whole process and regularly and ensure the progress in research. The researcher must review the completeness of the questionnaire regularly and make sure the recorded responses are clear, complete and legible. The data in qualitative research is analyzed by the researcher by identifying the "keywords" in the collected data. The common responses on researched variables are identified to present the findings. In quantitative research the researcher first tabulate the data and then by using

sophisticated analytical programs the data analysis is done. The researcher correlates the data through research variables and then grouped the data as per the independent demographic variables. Report should include the research methodology in which objectives, design of sample, instruments of data collection, techniques of data analysis, interpretation of data and findings. The researcher can also include tables, and graphs to support the findings. A sample of questionnaire is included in the appendix that will facilitate management to evaluate the objectivity and findings.

4.12 GLOSSARY

Causal Research: A research study that try to determine cause and effect relationship among variables.

Depth Interview: A length and relatively unstructured interview designed to uncover a consumer's underlying attitude and motivation.

Focus Group: A quantitative research method in which about eight to ten person participate in an unstructured group interview focus on a product or service concept.

Interpretivism: a postmodernist approach to the study of consumer behavior that focuses on the act of consuming rather the act of buying.

Objectives: Reasons for why study is to take place that will help to determine the types and level of information needed.

Positivism: A consumer behavior research approach that regards the consumer behavior discipline as an applied marketing science. Its main focus is on consumer decision making.

Qualitative Research: It is the research that are primarily used to obtained new ideas for promotion or product.

Quantitative Research: It is the research that helps researchers to know the customers' attitude towards various promotional efforts.

Questionnaire: It is a primary data collection tools for research prepared on research objective can be close ended or open ended.

Research Design: It is a blueprint for fulfilling research objectives and answering the research questions.

Secondary Research: Research conducted for reason other than the specific problem under study. Resulting data are called secondary research.

4.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Answers

i.   True
ii. False
iii. True
iv. True

Check Your Progress –B

i.   Primary
ii. Focus group technique
iii. Secondary

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4.16 TERMINAL QUESTIONS

Q1. What do you mean by consumer research? Explain various consumer researches.

Q2. Define different applications of consumer research?

Q3. State some the areas of marketing where consumer researches are conducted?

Q4. A breakfast cereal company wants to test whether a "new improved version of its well establish wheat brand would cause current heavy users to consume more of the product than they normally do. What experiment might company use for the purpose?

Q5. Explain what research design would be use if you want to conduct a study regarding the demographic profile of the users of a particular brand of the product.

Q6. Explain the relevance of consumer behavior in modern business scenario.

Q7. Explain different probability and non probability sampling techniques.

Q8. Explain advantages and disadvantages associated with different consumer survey methods.

Q9. Explain how data is collected in qualitative research?

UNIT 5 CONSUMER BEHAVIOUR PRACTICES/STUDIES IN INDIA

5.1 Introduction

5.2 Objectives

5.3 Introduction about consumer studies in India

5.4 The Consumer Psyche

5.5 Consumer Trends during Recession

5.6 Consumerism in India 1

5.7 Consumerism in India 2

5.8 Consumerism in India 3

5.9 Consumerism in India 4

5.10 Market Transition 1: Liberalization in India

5.11 Market Transition 2: Growth of the Communications & IT Sector

5.12 Market Transition 3: Permeation of Social Media in India

5.13 Summary

5.14 Glossary

5.15 References

5.16 Suggested Readings

5.17 Terminal Questions

5.1 INTRODUCTION

In the previous unit, you learnt about Consumer Research: Types and Process. We also discussed that Consumer Research: Types and Process is a fundamental part of the marketing planning process. In this unit we shall be discussing about consumer studies in India.

5.2 LEARNING OBJECTIVES

After reading this unit you will be able;

- To understand the Consumer Psyche.
- Understanding about the Consumerism.
- To know about Market Transition

5.3 INTRODUCTION ABOUT CONSUMER STUDIES IN INDIA

India is so socially various that it might appear to be unimaginable that there exists only one purchaser perfect, however it creates the impression that globalization has prompted the rising above of this social limit. Indian shoppers are among the most observing purchasers on the planet. India had been and still is depicted as a blended economy, however she is inclining towards the model of a free market economy all the more every year. The general retail advertise in India has developed from US$ 310 billion (ca. 237.000.000.000 euros) in 2006 to US$ 470 billion (ca. 359.000.000.000 euros) in 2011 and is anticipated to achieve US$ 675 billion (ca. 515.000.000.000 euros) in 2016.- Technopak Advisors

5.4 THE CONSUMER PSYCHE

Advertisers capitalize in the wake of understanding the buyer's state of mind. A few subtle strategies: Online Marketing and web based business, Celebrity Endorsement, "Complimentary gifts", Quality Focus, Sensory Shopping, Understanding the Gender Divide, Eco-accommodating Products, and so forth.

5.4.1 POWERFUL BRANDING

The Brand matters to numerous youthful and more seasoned shoppers. Capable brands like Apple or Nike spend huge sums into publicizing.

5.5 CONSUMER TRENDS DURING RECESSION

There are a few patterns predominant everywhere throughout the world and in India too in the midst of retreat: "Sellsuming": Sort of a deal framework, however with trade out the center.

- Low-cost Entertainment.

- DIYs: For eg., cooking starting with no outside help.

- Incredibly enough, expanded an incentive in wellbeing.

- Enhancing aptitudes to enhance employability.

- Reaching out to family and companions in the midst of emergency.
- Collaborative Consumption.

5.6 CONSUMERISM IN INDIA 1

Consumers in India:

- >40% of the consumers in India are between 20 and 49 years of age.
- <40% of the customers in India are under 19 years of age.
- <20% of the customers in India are over 49 years of age.
  The majority of consumers are young(<30%years of age)

5.7 CONSUMERISM IN INDIA 2

Consumers in India may be classified into 4 broad sectors:

 • Socialites and Upper Class

 • Working Women

 • Youth

 • Conservatives (about 70% of consumers):

 • Upper-middle Class- Consumers.

 • Middle Class- Aspirants and Consumers alike.

 • Destitute- Very little purchasing power and lie hand-to-mouth.

Consumers in India may be further classified into:

- Rural
- Urban

5.8 CONSUMERISM IN INDIA 3

The upper-and white collar class require a vibe decent affair today and are floating towards extravagance, trying different things with design and innovation and are spoilt for decision.

5.9 CONSUMERISM IN INDIA 4

Increasing need for quality consumer goods, durables as well as FMCGs. Major Retail Sectors:

- food & grocery
- clothing,
- consumer durables and
- books & music.

Small, unorganized outlets largely control these sectors. Tremendous potential for the organised sector in various formats, such as hypermarkets, supermarkets, specialty stores, discount chains, etc.

Check Your Progress-A

Q1. What do you mean by the Consumer Psyche?

Q2. What are the various consumer trends during recession?

Q3. Write a note on consumerism in India?

5.10 MARKET TRANSITION 1: LIBERALIZATION IN INDIA

Liberalization in India started in 1991 with significant changes pushed through by India's Minister of Finance at the time (and occupant Prime Minister), Manmohan Singh. Prior to that, India gagged under (incredibly!) considerably more administration than is clear today. He renounced the levies and licenses important for a firm at the time, which were at first, organized to micromanage the organizations..

5.11 MARKET TRANSITION 2: GROWTH OF THE COMMUNICATIONS & IT SECTOR

India's IT blast comes from the shabby working expenses of ventures, for example, the product improvement firms which give programming answers for all aims and purposes under one rooftop. Bangalore, with her ideal climate and green cover (once upon a time)served as the middle for this IT blast, with Hyderabad following not far behind. The IT blast gave simple work to a technically knowledgeable Indian, which made another era of youthful, urban experts with expanded acquiring power. The approach of keen portable communication and the web India has 903 million cell phone clients (second all around) and 121 million web clients (third universally) as of January 2012 (Wikipedia)- has opened up new settings for social showcasing.

5.12 MARKET TRANSITION 3: PERMEATION OF SOCIAL MEDIA IN INDIA

- Number of Facebook users : 45.796.460 (grew by 8.418.860 in the last 6 months.)
- Penetration of total population: 3.90%
- Penetration of online population: 56.54%
- Facebook's Alexa Traffic Rank in India: 3
- Facebook's Reputation on Alexa: 7.161.312 sites linking in (Google has just 4.863.437 sites linking in.)
- Facebook is paid obscene amounts of money for sharing our information and preferences with marketers and product firms.

5.13 SUMMARY

India, similar to China, needs to broaden her significantly send out driven economy by encouraging lower financing costs on effectively feasible credits and home loans with an end goal to invigorate customer spending. This may work, or it could prompt an obligation

emergency (more probable) like the ones which influence the world today. The change of the Indian attitude from sparing to acquiring is one which, I for one, find progressively agitating. Around 3/fourth of the Indian populace is rustic, so there is by all accounts colossal potential for country retail, a change found in the influenced utilization design in India.

5.14 GLOSSARY

Purchase Behaviour- Purchase behavior refers to the overt act of buying or purchasing a brand**.**

Culture is the basic determinant of a person's wants and behavior.
 Social factors such as reference groups, family, social roles and statuses affect the buying behavior of the consumer.

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5.17 TERMINAL QUESTIONS

Q1. Explain the concept of consumer Psyche.

Q2. What is the future of Consumerism in India.

Block II
Individual Determinant of Consumer Behaviour

UNIT 6 CONSUMER MOTIVATION AND VALUES

6.1 INTRODUCTION

Companies around the world are worries about the rising cost of consumer attention. The market for consumer attention has become extremely competitive in the past few years and companies are bound to invest heavily into grabbing consumer's attention to their offerings. It is very clear and established that when companies are able to acquire consumer's attention the payoff is huge.

One of the important aspects in grabbing consumer attention is the identification of consumer motivation i.e., the drive to satisfy needs and wants through the purchase and use of products and services. Marketers have long identified this motivation as an impelling and compelling force behind most marketplace behaviours.[1] Consumer motivation is a process of need satisfaction. Alongside motivation consumer value also is an important aspect linked with consumer behaviour.

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[1] Britt, S. (1950), "The Strategy of Consumer Motivation," *Journal of Marketing*, 14(5), 666–74.

The unit deals with why and how motivation and values affect the consumer behaviour and what marketing implications can be drawn through them for effective design and implementation of marketing strategies. Specifically, the unit attempts to answer:

- Reasons behind people shopping.
- Different ways consumer assesses his/her needs?
- Reasons for consumer choosing a particular product over other?

6.2 LEARNING OBJECTIVES

After completing this module participants shall be able to:

- Understand the meaning of motivation and values,
- Discuss various theories of motivation and their impact on consumer behaviour, and
- Discuss the impact of values on consumer behaviour.

6.3 CONSUMER MOTIVATION AND PROCESS

The term motivation has been put to various tests. Several definitions provided by many theorists have failed to meet the challenge of establishing a concise and meaningful definition. In face the American Psychological Association once considered replacing the word as a search term in the main psychological database [because] it had too much meaning and therefore was not very useful".[2]

In defining the word motivation the American Heritage Dictionary is of little use stating it, "as the act or process of motivating; the state of being motivated and something that motivates; an inducement or incentive".[3]

Several authors have attempted to define the motivation. Few consider motivation as an internal phenomenon contained within the individual and define motive (motivation), "as an inner state that energizes, activates, or moves, and that directs or channels behaviour toward goals."[4]

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[2] Dörnyei, Z. (2001). Teaching and Researching Motivation. Don Mills, ON: Pearson Education Ltd.
[3] The American Heritage® Dictionary of the English Language, 4th Edition at http://dictionary.reference.com/
[4] Bernard Berekson and GarySteiner, Human Behaviour: An Inventory of Scientific Findings, Harcourt, Brace and World, New York, 1964, p. 240

Several other authors view motivation as arising from sources outside the individual. Scott and Mitchell define motivation as, "a function which a manager performs in order to get his subordinates to achieve job objectives."[5]

We have seen earlier that consumer motivation is a process of need satisfaction. Consumer motivation can be viewed as a process through which needs are satisfied. It is an action and goal oriented process within and outside and individual that results into fulfilling needs and wants by acquiring a product or a availing a service.

In order to satisfy a need the consumer involved in an exchange of a product or service for the money. However, many a times consumer needs are not felt by the consumers themselves and leave lot of scope for marketers. Marketing has evolved itself to reach marketing orientation, which focuses on identifying and satisfying consumer's unmet needs.

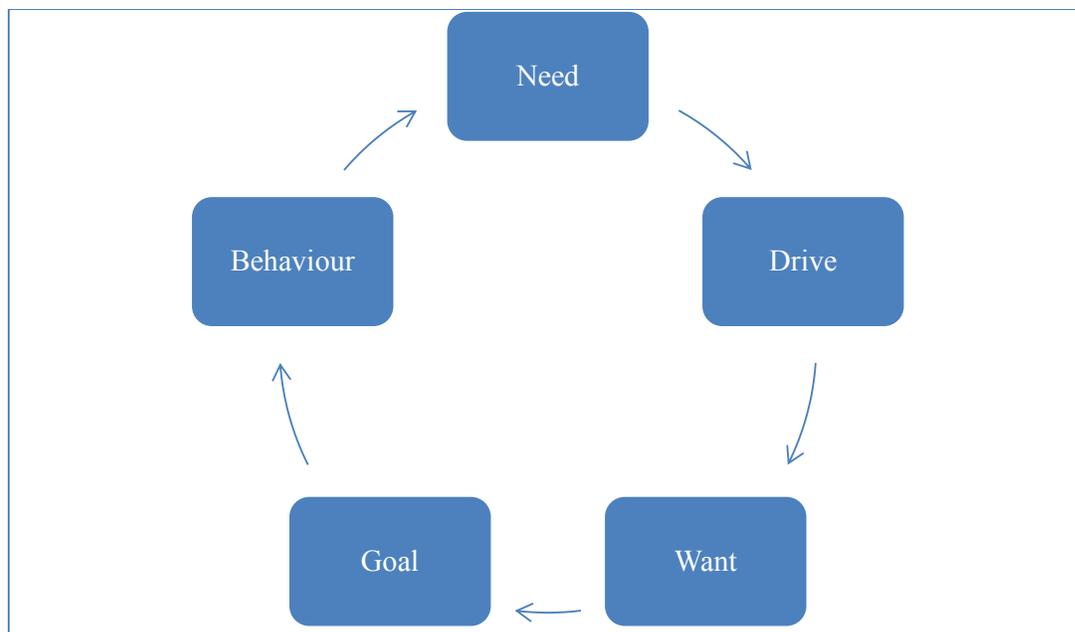The consumer motivation is a five step process outlined below:

Figure 6.1 Consumer Motivation Process

Motivation moves consumers from latent need through stages of increasing specificity to the behaviour that satisfies the need.

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[5] William G. Scott and Terence R. Mitchell, Organization Theory: A Structural and Behavioural Analysis, Irwin and Dorsey, Homewood, III., 1972, p. 76

6.4 THEORIES OF MOTIVATION & THEIR MARKET IMPLICATIONS

Several behavioural theories have been put forward to understand and signify the concept of motivation in marketing context. For our purpose we shall include and make an attempt to understand three important models namely, Maslow's Need Hierarchy, Mc Clellands Trio of Needs and Sheth's Consumer Motives.

(i) Maslow's Need Hierarchy Theory

One of the most significant and path breaking approaches to motivation was proposed by the clinical psychologist Abraham Maslow in 1943, who developed a hierarchical model of human need identification and satisfaction.

Identifying and categorising the human needs into five basic levels namely, physiological needs, safety needs, belonging needs, ego needs and self actualization needs; Maslow presented the needs in the ascending order in a form of a pyramidical structure. The figure below depicts the Maslow Need Hierarchy.
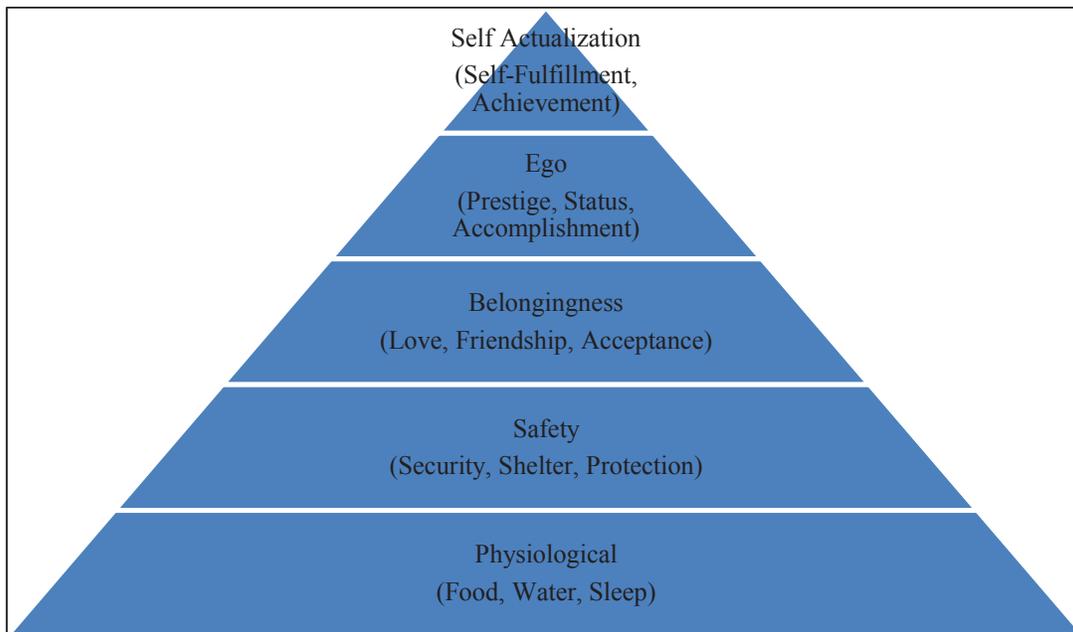

Figure 6.2 Maslow Need Hierarchy

Maslow divided the needs into two major kinds. The first refers to biogenic needs and included physiological and safety needs. Maslow referred to these needs as lower-order needs. The other kind, known as psychogenic needs, included belongingness, ego and self-actualization needs. Maslow referred to these needs as higher-order needs.

In Maslow's Need Hierarchy Theory all these needs are hierarchical in nature. An individual will move up the ladder only when the lower levels are met. No individual can jump straight to the second or third level being at first level. Once a level is achieved it acts as a motivator to fulfil the other level. The figure below explains the theory using examples at each level.
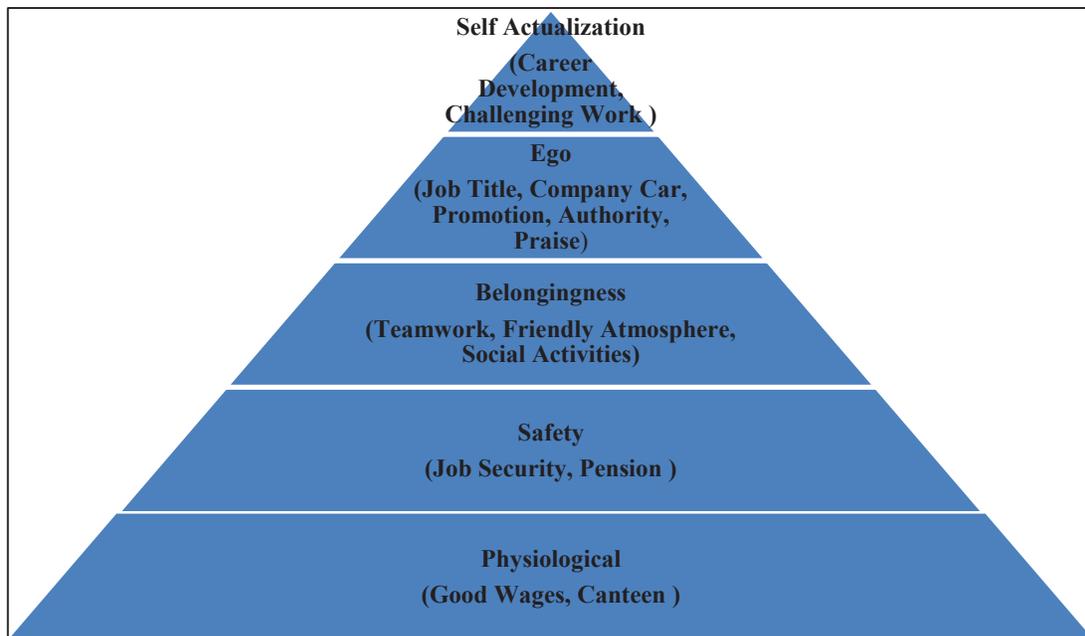
Figure 6.3 Examples of Maslow Need Hierarchy Theory

Maslow's work was a pioneering and significantly relevant to be applied across various disciplines. In context of consumer behaviour the theory is highly useful in identifying consumer motivational levels. However, it also has a limitation. It is a hierarchical model and suggests movement gradually once a lower level need is met. Consumer in a marketplace often experiences a wide range of needs and wants and rather than waiting for lower-order needs to be fulfilled can simultaneously work to satisfy all of them.

Despite its limitations marketers have found the need hierarchy model proposed by Maslow relevant and applicable to variety of situations.

The classification of needs into five different hierarchical levels clearly demonstrates people's motivation towards product/service offering. For instance, a life insurance company would try to promote life insurance products to those trying to satisfy their safety needs. Similarly, a mere increase in salary might not motivate a top manager to work who is desperately seeking a more challenging work profile.

Maslow's theory also assists in segmenting the client base. Based on the need levels consumers can be segmented, targeted and positioned. An understanding of need-motive pattern will further assist in designing an effective marketing mix for the consumers.

(ii) Mc Clelland's Trio of Needs Theory

Yet another psychologist like Maslow, has contributed significantly towards understanding the concept of motivation through his famous Trio of Needs Theory or the Learned Needs Theory. Mc Clelland became famous for this theory of his.

Mc Clelland stressed the importance of life experiences in shaping an individual's needs. He argues that individuals learn as they experience life and these experiences influence needs from time to time. He classified these needs into three categories to include:

- Needs for Power (nPow),
- Need for Affiliation (nAff) and
- Need for Achievement (NAch).

Mc Clelland referred to Needs for power (nPow), as a desire inside an individual to control others (like people, situations, objects etc). Need for affiliation (nAff), has been referred to as a desire for friendship, belongingness and social acceptance. Finally the Need for achievement (nAch), was referred to as a desire and pride for accomplishment and success.

Mc Clellands trio need theory is found similar to Maslow' need hierarchy. For instance, Mc Clelland's need for power, and Maslow's safety and esteem needs are closely related. Also the need for affiliation relates to social needs and the need for achievement is related to the esteem and self actualization needs.

Mc Clelland Trio of Need theory is highly relevant and useful for marketers. Marketers are always interested to know the motivation behind the purchase of a product or a service and Mc Clelland's theory assists them in identifying and understanding consumer's motivation towards purchase and consumption of offerings. The section below explains the marketing implications drawn from his theory.

- **Needs for power (nPow):** We have seen that nPow is person's inclination to control and have greater authority over others. Such a person will surely be attracted to purchase products that assist him in developing control over others through superiority and domination. For instance such people will always get attracted towards fast bikes, cars or any other product that establishes their superiority. The famous motor bike manufacturer Bajaj used the tag line, 'Definitely Male', while advertising for Pulsar brand. Similarly, Maruti Suzuki used, 'Men Are Back', for advertising SX4 brand.

- **Need for affiliation (nAff):** People with nAff looks forward to products and services that are close to their culture, social class and lifestyle. Since these are people who have longing for friendship, acceptance and belongingness they will always seek approval from their near and dear ones. Food items, clothing, vacations, partying etc are products and services such people are often motivated to spend on. Marketers draw insights from the theory and design marketing strategies accordingly.

- **Need for achievement (nAch):** According to Mc Clelland people with nAch have strong desire and pride for accomplishment and success. Such a desire is evident in people's efforts to qualify competitive exams for civil services, admission in premier professional institutes like IIMs or IITs or any other highly renowned medical college. Such an achievement provides them a sense of accomplishment. Several coaching institutes today take advantage of this and develop offerings from such a segment.

The exhibit below is an attempt to clarify the marketing implications of Mc Clelland's theory.

Exhibit 6.1 Trio of Needs versus Examples for Segmentation and Positioning

Needs	Examples
Need for Power (nPow)	- Need to exert control over other persons, objects, situations. - Control over speed, power and travel - Segment: The Youth - Product: Bajaj Pulsar 150, 180 and 220 - Positioning Appeal: Definitely Male
Need for Affiliation (nAff)	- Need for social belongingness and acceptance - People sitting together and enjoying coffee - Segment: The youth - Product: Cafe Coffee Day (CCD), Barista - Positioning Appeal: Togetherness,

	Social appeal
Need for Achievement (nAch)	• Suiting and shirting
	• Segment: The youth, middle aged
	• Product: Raymond
	• Positioning Appeal: A Complete Man

(iii) Sheth's Consumer Motives

One of the most relevant works on motivation from marketing perspective has been undertaken by Professor Jagdish N. Sheth. Professor Sheth presented a categorization of needs closely significant to the area of marketing management while working extensively in the area of travel industry. Although, his work is more in the travel domain and related products and services, his findings are applicable across most products and services.

The word "motive" is used to emphasize person's own will in achieving important targets and enjoying a good life. Sheth worked on the concept of motives. Prior to him the term motive had already been approached in the work of Maslow's Hierarchy of Needs and Aldefer's ERG-Theory. Professor Jagdish Sheth has research motives in customer behavior in business.

Professor Sheth classified motives into five dimensions, namely, functional motives, aesthetic/emotional motives, social motives, situational motives and curiosity motives and stated that each of these is oriented to the achievement of specific goals.

- Functional Motives: These motives are related to the technical functions of an offering.

- Aesthetic/emotional Motives: Style, design, luxury, and comfort of a product (class) are examples of aesthetic or emotional motives. These motives are not only important for the specific (brand) choice but also for the generic (product) choice. The product class is evaluated in terms of the fundamental values of the consumer in the emotive areas of fear, social concern, respect for quality of life, appreciation of fine arts, religion, and other emotional feelings.

- Social Motives: These are related to the impact that consumption makes on relevant others. Status, prestige, and esteem may be derived from the possession and usage of products and their conspicuous features.

- Situational Motives: These refer to the unanticipated and unexpected benefits attached to a product/service, like discounts and allowances.

- Curiosity Motives: These are motives that are supposed to prompt trials of new and/or innovative products. The consumer may try a new product; however, his repeat-purchase may be independent of such trials.

The exhibit below provides an example of Sheth's consumer motives.

Motives	Example (Purchase of a Cottage)
Functional Motive	Place to Stay
Aesthetic Motive	Good Looking Cottage Appealing Interiors and Exteriors Location
Social Motive	Reflects High Income, Status, Lifestyle and Values
Situational Motive	Bought it Unexpectedly Got a Good Deal as Owner was in a Need of Money
Curiosity Motive	Wanted To Experience Serene Woods Rich people all around

Exhibit 6.2 Consumer Motives

It is evident that knowledge and understanding of consumer motives can assist marketers in identifying needs and motivation of consumers and concentrate their efforts in designing effective marketing strategies including segmenting, targeting and positioning and marketing mix.

6.5 VALUES

Consumer behaviour including decision-making is also influence to a great extent by value systems people have developed over time. Values are normative in nature and are an expression of how a person thinks things should be under a give set of circumstances. Various factors results into person's value formation including his past work experiences, education, culture, personality, current relationships etc. In totality values are a product of person's past and present environment.[6]

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[6] Andrew F. Sikula, "Value and Value System: Relationship to Personal Goals," Personnel Journal, Apr., 1971, pp 310-312

The term value has been discussed in detail by various sociologists.

Milton Rokeach, a prominent social psychologist, defines values as "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence."

According to H.M. Johnson, "Values are general standards and may be regarded as higher order norms".

Young and Mack write, "Values are assumption, largely unconscious, of what is right and important".

Michael Haralambos says "A value is a belief that something is good and worthwhile. It defines what is worth having and worth striving".

According to Peter Worsley, "Values are general conceptions of "the good", ideas about the kind of ends that people should pursue throughout their lives and throughout the many different activities in which they engage".

The definitions of value reveal few characteristics of value. These are:

- Values are normative in nature.
- Value is a matter of faith and belief.
- Values have cognitive elements and are abstract in nature.
- Values are related to emotions and sentiments.
- Values are the bases for making choices.
- Values are relative permanent.
- Values bring cohesiveness in society.
- Values have hierarchy in order.

The discussion on various features of value reveals an important aspect of choice making. Values influence needs which in turn influence objectives. Value therefore becomes a determinant of individual's needs and objectives. The values, needs and objectives also determine the role perception in various activities. The figure below depicts this relationship.

| Past & Present Environment | → | Value Formation | → | Unsatisfied Needs | → | Goal Formation | → | Role Perception | → | Goal Directed Activity |
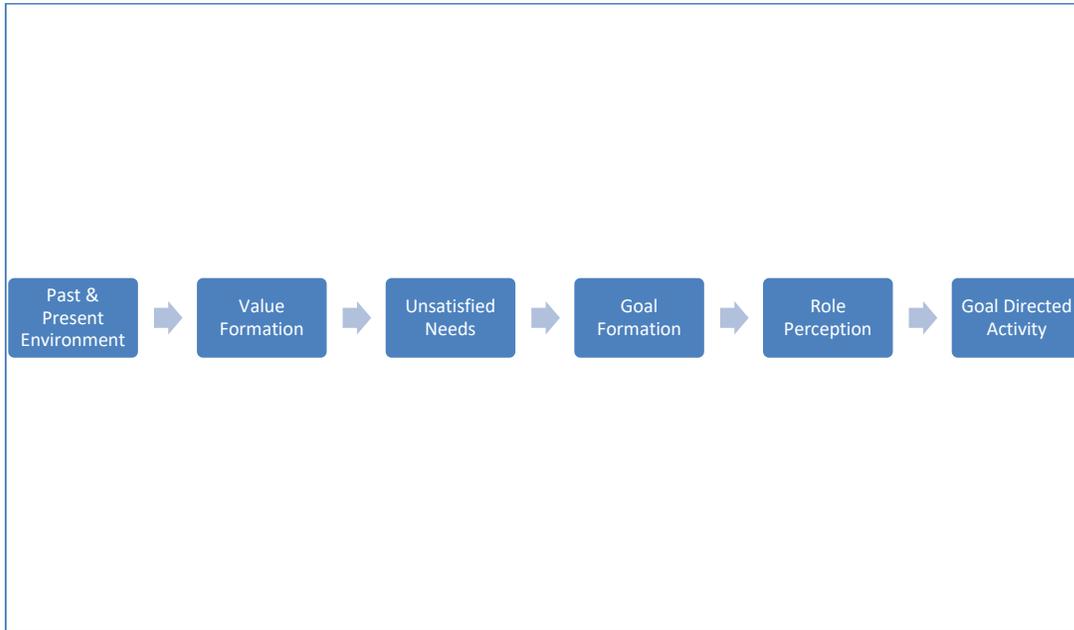
Figure 6.4 Values, Needs, Objectives and Role Perception

An individual's past and present environment leads to formation of values. Values influence individual needs. Unsatisfied needs lead to objective orientation or goal formation. Goal formation influence role perception and leads to goal directed activity.

An individual's value system therefore plays a significant role in deciding the consumption activities as many products and services are purchased with an objective of attaining a value-related goal. Also it is very important to understand that individual may have similar belief systems but their goals can be entirely different. For example two individual may showcase the same behaviour or vegetarianism but their objectives can be entirely different. The former individual may be vegetarian because of health concerns the latter may be because of his objective towards animal activism.

Check Your Progress-A

Q1. What do you mean by Consumer Motivation and Process?

Q2. Discuss any one theory of Motivation and explain its Market Implications.

Q3. What are Values?

6.6 VALUES & CONSUMER BEHAVIOUR

Values are an important aspect of human life. However, in spite of its importance the concept of value has not been applied in totality to the understanding of consumer behaviour.

Some researchers have attempted to work on values and their impact on marketing strategy. We shall discuss few such attempts in this section.

6.6.1 HOFSTEDE'S CULTURAL DIMENSIONS

One of the most widely used measures of cross-cultural values is an instrument developed by a Dutch researcher Geert Hofstede.[7] This measure scores a country based on its standing on five dimensions so that users can compare and contrast values:[8]

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[7] Geert Hofstede, Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations (Thousand Oaks, CA: Sage Publications, 2001).

[8] Adapted from "What Are Hofstede's Five Cultural Dimensions?" www.geerthofstede.com, accessed May 22, 2009.

- **Power Distance:** Power distance refers to the degree of power inequality that exists in a culture and is distinguished by High PD or Low PD. High PD means there are unequal distribution of power in the system. Low PD on the other hand is characterized by equal power distribution.
- **Individualism versus Collectivism:** It refers to the degree of strength of relationships people have in the community. This range between individualism and collectivism.
- **Masculinity versus Feminity:** It refers to the distribution of roles between the genders and ranges between Masculinity and Feminity. Masculinity means people are tough, assertive and strong and depict traits of traditional men. Feminity on the contrary means people are sociable and caring like traditional women.
- **Uncertainty Avoidance:** It expresses itself through stress, anxiety and the need to live and work according to a framework of reference comprising rules and regulations[9]. A country's degree of uncertainty avoidance is measured by the degree of comfort of inhabitants when facing unexpected situations. Uncertainty is connected with the relative importance given to security in a society.
- **Long-Term versus Short Term Orientation:** Hofstede observes that that long-term orientation "is aimed at the future, at perseverance in particular".[10] Epiney states that in a long-term oriented society, perseverance and respect for status are appreciated norms of behaviour.[11] On the contrary, in a short-term oriented culture, values are rather oriented towards the present and the past.

For instance we have seen that a culture with a High PD is characterised by strong hierarchies and powerful leaders. Decisions in such cultures are made by the head of the families and marketing strategies in such countries must strongly appeal to the leadership. Product benefits must clearly showcase how its use will make them more powerful by enhancing their status in the society. In countries characterized by Low PD the marketing efforts must reach out to ordinary people and make them understand its functional value.

Similarly, for cultures high on individualism and characterised by a contract or transaction based relationships, separated private and work-life etc promotion must focus on themes that promote individual freedom, saving time, individual rewards and like. In contrast, cultures with low individualism or high collectivism where relationships are morally based, loyalty is existent, universalism prevails require different marketing efforts which are primarily community based.

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[9] Hofstede, G., 1991. Living in an intercultural world, Paris
[10] Hofstede, G. (2001), Culture's consequences, 2nd ed. Thousand Oaks: Sage Publications
[11] Epiney, C. (2001), Adapting advertising from international brands to local cultures. Master's thesis communication. University of Quebec in Montreal. p, 140

The masculine cultures are more tuned towards achievement and success. On the other hand the feminine cultures are more inclined towards caring and quality of life. Marketers respond to these and target consumers accordingly.

Cultures with high ambiguity avoidance prefer to have marketing efforts that clearly spell product features and functions. Such cultures refrain from taking risks and believe in, 'Think Before You Do' approach. On the other hand the cultures with low ambiguity avoidance are risk takers. They prefer the, 'Just Do It' approach. Such people accept lifestyle promotions, generalizations about your products, implied benefits and references to positive change. Sound knowledge and understanding of these will always be supportive to company's marketing efforts in segmenting, targeting, and positioning as well as marketing mix.

In cultures with long term orientation people believe in longevity. Such cultures give strong emphasis on perseverance and are interested in lifelong investments. Most of the Eastern cultures have high long term orientation. On the contrary, their western counterparts expect quick results and believe in, "Here and Now" approach.

The phenomenon of globalization has changed the way people think, behave and conduct business. However, despite globalization people from different nations continue to exhibit their own distinct habits and tastes. Their values and norms are deep rooted in their national culture. Hofstede's model is supportive of understanding this national culture and choice making aspects associated with culture. Organizations and marketers can draw important implications by having a thorough understanding of Hafstede's cross cultural model.

6.6.2 THE ROKEACH VALUE SURVEY

The famous Rokeach Value Survey (RVS) is credited to the work of a prominent social psychologist Milton Rokeach who in his survey instrument created two sets of values each representing 18 individual items. These two sets include:

(i)   Terminal Values that referred to desirable end state of existence. He argued that these represents the goals that a person would like to achieve during his or her lifetime. He also mentioned that the terminal values are culture specific and varies from culture to culture.
(ii)   Instrumental Values that referred to preferable modes of behaviour and represents the means of achieving the terminal values.

The exhibit below depicts the Rokeach Value Survey.

Exhibit 6-3 Rokeach Value Survey

Instrumental Values	Terminal Values
Ambitious	A Comfortable Life
Broadmindedness	An Exciting Life
Capable	A Sense of Accomplishment
Cheerfulness	A World at Peace
Cleanliness	A World of Beauty
Courageous	Equality
Forgiveness	Family Security
Helpfulness	Freedom
Honesty	Happiness
Imagination	Inner Harmony
Independent	Mature Love
Intellectual	National Security
Logical	Pleasure
Loving	Salvation
Obedience	Self Respect
Politeness	Social Recognition
Responsible	True Friendship
Self-Controlled	Wisdom

The value survey asks subjects to rank the values in order of importance to them. The actual directions are as follows: "Rank each value in its order of importance to you. Study the list and think of how much each value may act as a guiding principle in your life. The Rokeach Value Survey has been extensively used in empirical work by psychologists and sociologists. As values guide and motivate our behaviour a sound understanding of these assists marketers in designing effective marketing strategies.

6.6.3 THE LIST OF VALUES (LOV) SCALE

Rokeach's work was criticised widely. Psychologists Gibbons and Walker criticized his work stating, he had an inadequate criteria for reducing the values.

There exist some evidence of global values (those proposed by Hofstede and Rokeach) being translated into product-specific preferences. Still both Hofstede model and Rokeach Value Survey have not been widely used by marketing researchers.

To remove the limitations of the earlier models List of Values (LoV) was developed to isolate values with direct-marketing application. The credit of LoV goes to Kahle who at University of Michigan Survey Research Centre, derived LoV based on the theoretical contribution of Maslow (1954), Rokeach (1973) and Feather (1975).

LoV identifies nice consumer segments on the basis of values a consumer endorse and relate each to differences in consumption behaviour. The nine values on LoV are self-respect, security, warm relationships with others, self fulfilment, a sense of accomplishment, being respected, a sense of belonging, fun and enjoyment, and excitement. Knowledge and understanding of the nine values can assist marketers in several ways. For examples marketers can segment and target products on the basis of values. Like the ones endorsing the value of excitement may get involved in adventure sports. Marketing mix around those valuing excitement may therefore be designed to achieve a desired response.

6.6.4 VALUE AND LIFE STYLE (VALS)

Developed in 1978 by a social scientist and consumer futurist Arnold Mitchell and his colleagues at SRI International, VALS is a proprietary research methodology tool used for psychographic segmentation.

Deriving itself heavily from the work of Harvard sociologist David Riesman and psychologist Abraham Maslow, VALS propose that people express their personalities through their behaviours. VALS therefore defines consumer segments on the basis of those personality traits that influence marketplace behaviour.

VALS is a proprietary tool and its use is restricted to permission and is only applicable in United Sates.

The VALS segments are as follows.

- Innovators – Sophisticated, high self esteem, upscale and image is important
- Thinkers – Conservative, practical, income allows many choices, look for value
- Achievers – Goal oriented lifestyle, image is very important
- Experiencers – Like "cool stuff," like excitement and variety' spend a high proportion of income on fashion

- Believers – Conservative, like familiar and established brands
- Strivers – Trendy and fun loving, money defines success, concerned about the opinion of others
- Makers – Practical people, do it yourself, unimpressed by material possessions, prefer value to luxury
- Survivors – Few resources, buy at a discount, very modest market, little motivation to buy

6.7 SUMMARY

Marketers strive best to satisfy consumer needs. The reasons to purchase a product vary widely. Every individual is unique and guided by motives and values unique to him. The identification of consumer motives and values therefore is very important to forecast needs and fulfil them. The different motivation theories outlined in the module assist marketers in understanding needs better. Motives are influenced greatly by values. Values facilitate goal oriented behaviour. The section therefore addresses important theories of value that have relevance in consumer behaviour studies.

6.8 GLOSSARY

Motivation: Motivation is the act or process of motivating; the state of being motivated and something that motivates; an inducement or incentive.

Consumer Motivation: Consumer motivation can be viewed as a process through which needs are satisfied.

Values: Values are general standards and may be regarded as higher order norms.

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6.10 SUGGESTED READINGS

1. An Emotional Connection Matter More Than Consumer Satisfaction by Alan Zorfas and Daniel Leemon, Harvard Business Review, August 2016
2. Don't Persuade Customers – Just Change Their Behaviour by Art Markman, Harvard Business Review, February 2014.

6.11 TERMINAL & MODEL QUESTIONS

Q1. Discuss concept of motivation and its process.

Q2. Discuss the marketing implications of:

- Maslow's Need Hierarchy Theory
- Mc Clelland's Trio Need Theory
- Sheth's Consumer Motives

Q3. Discuss the concept of value and its characteristics.

Q4. Discuss the relevance of Hofstede's model.

Q5. Discuss Reokeach Value Survey.

Q6. Discuss List of Values Scale.

Q7. Discuss Value and Lifestyle (VALS) scale.

UNIT 7 PERSONALITY AND CONSUMER BEHAVIOUR

7.1 INTRODUCTION

We have seen and understood in the earlier sections that consumer is unique. This uniqueness of consumer is attributed to various factors. One of the factors that add uniqueness to a consumer is that of personality. It is the personality of a consumer that decides the timing, place, amount, usage and disposal of product purchased. Consumers are always inclined to opt for the products or brands which they find similar or closer to their own personalities. Also many a times consumers buy a product that assist in fighting their inferiority.

Consumer behavior intends to identify and understand needs of a buyer and facilitate an exchange. Understanding the buyer habits and his priorities requires an understanding and knowledge of the buyer's personality.

Consumer personality has been a subject of immense interest for every marketer and advertising man. There is a general belief that the personality of the consumer is a mix of inheritance and circumstances. Many theories have been put forth by thinkers, philosophers and psychologists to untangle the hidden aspects of consumers' personality in order to help

the marketers and advertisers build up their products, services, campaigns, brands and advertisements.

In order to design, develop and implement robust marketing strategies a sound understanding of consumer personality, personality traits and types as well as general and consumption specific personality traits are significantly important for a marketer.

7.2   LEARNING OBJECTIVES

After completing this unit the student shall be able to:

- Define and understand the nature and concept of personality
- Discuss and explain different theories of personality
- Explore the relationship between consumer behavior and personality
- Discuss self concept and self image
- Understand the implications of Consumer Personality, self concept for marketers.

7.3   MEANING & DEFINITIONS OF PERSONALITY

The origins of the word personality can be traced in Latin, where the Latin word *persona*, refers to a theatrical mask worn by performers in order to either perform different roles or camouflage their identities. Being evolved the term personality has been defined in variety of ways. While some researchers stress the influence of heredity on personality, many others include experiences in the early childhood. Several others have laid emphasis on influence of environment on an individual's personality.

Personality decides and reveals our reaction towards our own environment and therefore the term refers to a sum total of outer physiological as well as the inner psychological characteristics that make us do what we do.

According to Larsen and Buss, "Personality is the set of psychological traits and mechanisms within the individual that are organized and relatively enduring and that influence his or her interactions with, and adaptations to, the intrapsychic, physical, and social environments."[1]

Allport defines it as, "Personality is the dynamic organization within the individual of those psychophysical systems that determine his characteristics behavior and thought."[2]

Weinberg & Gould defines personality as, "The characteristics or blend of characteristics that make a person unique."[3]

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[1] Larsen, R. J., & Buss, D. M. (2005). Personality psychology: Domains of knowledge about human nature (2nd Ed.). New York: McGraw Hill.
[2] Allport, G. W. (1937). *Personality: A psychological interpretation*. New York: H. Holt and. Company.

According to Webster's New American Dictionary personality is " existence as a person, the assemblage of qualities, physical, mental and moral that set one apart from others, distinctive individually, as he is a man of strong personality, a too."[4]

Encyclopedia of Psychology defines Personality as, **"**refers to individual differences in characteristic patterns of thinking, feeling and behaving. The study of personality focuses on two broad areas: One understands individual differences in particular personality characteristics, such as sociability or irritability. The other is understanding how the various parts of a person come together as a whole."[5]

According to Funder, D.C, personality may be defined as " individuals' characteristic patterns of thought, emotion, and behavior, together with the psychological mechanisms -- hidden or not -- behind those patterns. This definition means that among their colleagues in other subfields of psychology, those psychologists who study personality have a unique mandate: to explain whole persons."[6]

Pervin, Cervone & John defines, "Personality refers to those characteristics of the person that account for consistent patterns of feelings, thinking, and behaving."[7]

Personality is the consistent pattern of responses to the stimuli from both internal and external sources. It is this consistency of response that allows us to type people as aggressive or submissive, as obnoxious or charismatic. The particular theory or philosophy of motivation and personality held by scholars in this field colors their views, research, and even definitions of the term. Nevertheless, "a consistent pattern of responses in coping with perceived reality" is a good working definition.

In consumer studies, personality is referred to as a pattern of behavioural responses which is consistent and enduring to incidents or events around us. Schiffman observes, "Consumer personality refers to the unique dynamic organization of characteristics of a particular person, physical and psychological, which influence behavior and responses to the social and physical environment."

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[3] Weinberg, R. S., & Gould, D. (1999). Personality and sport. *Foundations of Sport and Exercise Psychology*, 25-46.
[4] Webster's New American Dictionary
[5] Encyclopedia of Psychology
[6] Funder, D. C.. (2004). The Personality puzzle (3rd ed.). New York: W. W. Norton
[7] Pervin, L. A., Cervone, D., & John, O. P. (2005). Personality: Theory and Research (9th ed.). Hoboken, NJ: John Wiley & Sons.

We have seen that personality reflects our reaction towards our own environment. Personality in this way assists marketers in identifying the individual choices for products and brands. It also helps in different ways of promoting a product. By connecting with the personality characteristics of an individual, a marketer can conveniently formulate marketing strategies.

7.4   NATURE OF PERSONALITY

- **Personality Reflects Individual Differences:** Every individual is unique and possess a special set of inner characteristics. The uniqueness offers individual differences and no two individuals therefore can display a unique personal make-up. Having said that, many of us still constitute a similar personality trait and therefore become a part of a particular personality type. Knowledge and understanding of this is very momentous for a marketer as it assists in appropriate segmentation of each personality type and positioning of his offering accordingly.

- **Personality is Consistent and Enduring:** Personality of an individual is long lasting in nature. It does not change easily, quickly and frequently. The consistent and enduring nature of personality is reflected in buying and consumption behavior as well. Marketers must design the marketing activities keeping this consistency and endurance of personality in mind to succeed in market place.

- **Personality Can Change:** Though consistency and endurance are existent in an individual's personality, it still can change. Personality may alter in response to major life events like marriage, birth of a child, death of a parents, changes of job/ or profession. Personality stereotypes may change over time also e.g. men's personality seems not to have changed in the past 50years, while women have become more masculine during this time.

7.5   THEORIES OF PERSONALITY

Nature and formation of personality can better understand by different theories of personality. Personality is difficult concept to be understood and theorists have found it daunting to cover it through one single lens. Theorists have therefore approached the concept of personality from different angles attempting to provide different functions of personality. For our understanding three major theoretical perspectives of personality exist to include psychoanalytic or Freudian, Neo-Freudian and trait perspectives.

7.5.1 PSYCHOANALYTIC OR FREUDIAN APPROACH TO PERSONALITY

The psychoanalytic approach to personality is credited with the work of famous psychologist Sigmund Freud. Alongside Freud, Carl Jung, Karen Horney and Alfred Adler have contributed in building the perspective.

Sigmund Freud, the father of psychology, presented psychoanalytic theory of personality which is considered as the cornerstone of modern psychology. The theory made him famous and is based on assumptions outlined below:

- Unconscious needs or drives lie at the heart of human motivation and personality.

- The socialization process has a huge impact on individual behaviour.

Freud in his theory highlighted the influence of the unconscious, the importance of sexual and aggressive instincts, and early childhood experience on a person.

Freud discovered that human mind is like an iceberg and further proposed a three leveled working of psychological forces that included:

- Conscious Level: This is the level about which an individual is aware of at the present moment and consists of the thoughts, feelings, and sensations.

- Pre-conscious Level: This represents the level an individual is not currently aware. It contains information which can easily be retrieved and enter conscious mind.

- Unconscious Level: This level consists of thoughts, feelings, wishes, drives etc. of which we are not aware. It, however, influences our conscious level of activity.

Freud utilized the techniques of interpretation of dreams and free association and proposed that the unconscious level often push through to the conscious level in a concealed manner. It may be in a distorted manner and or it may take a symbolic form.

Corresponding to the levels of psychological forces Freud also highlighted personality structure to consist of three levels namely, Id, Ego and Super Ego. He argued that personality originates due to conflict between our aggressive and pleasure seeking biological urges and the internalized social restraints against them. The three personality structures are discussed briefly below:

- Id: According to Freud, Id refers to the primordial and instinctive component of personality. It is the unconscious and impulsive side of our personality that responds directly and immediately to the instincts. Id works on the pleasure principle and does not change with time or experience. Id always seeks immediate satisfaction. Since it is the unconscious part which remains untouched by the external world it remains away from reality and logic.

- Ego: Unlike Id, which is the pleasure seeking, unconscious and unrealistic aspect of our personality, Ego is the decision making component of personality that works to

mediate between the unrealistic Id and the real world. It is the Ego that controls our thoughts and behaviours and attempts to balance demands of external world and needs of the person.

- Super Ego: Super Ego that develops around the age of 3-5, incorporates the values and morals of society. It act as control mechanism against Id's impulsiveness. It also attempts to persuade Ego to consider not only the real but also the ideal goals. It consists of two systems the conscience and ideal self and is judgement oriented. It is the super ego that identifies one's behaviours as right or wrong, good or bad. Feelings like shame, guilt, inferiority and anxiety prevail through super ego function of our personality.

The figure below is an attempt to establish the relationship between the levels of consciousness and personality structure.
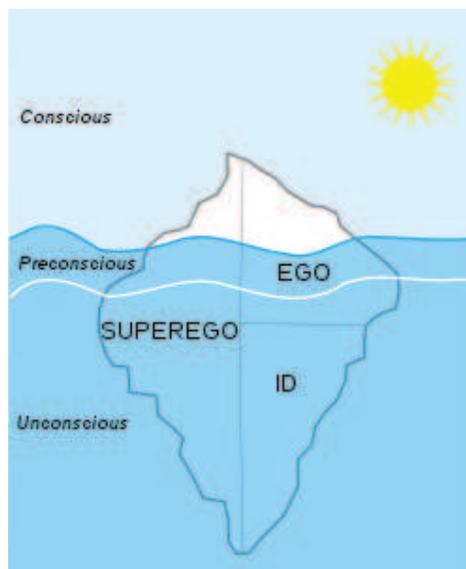
Figure 7.1 Consciousness Levels and Personality Structures

Moving further Freud established that personality develops through a series of psychosexual stages. The exhibit below depicts the personality development of an individual.

Exhibit 7.1 Stage of Psychosexual Development

Stages	Focus
Oral (0 – 18 Months)	In the first stage of psychosexual development i.e., the oral stage. The libido is focused in a baby's mouth.

	This becomes evident in pleasure seeking activities like sucking, biting and breast feeding.
Anal (18 – 36 Months)	In the second stage of psychosexual development i.e., the anal stage, the libido moves from mouth and is focused on the anus. The Id's pleasure seeking becomes evident in defecating.
Phallic (4 – 6 Years)	In the Phallic stage, which is the third one in psychosexual development, the pleasure seeking gets focused on the genitals and masturbation. This is the stage where a child is able to make out anatomical sex differences.
Latency (7 – 11 Years)	The latency stage is characterized by no psychosexual development. In this stage the libido is dormant and the child's energy is utilized more into developing new skills particularly towards school work, hobbies and friendship.
Genital (From the Onset of Puberty)	The last stage of psychosexual development, namely the Genital stage begins from the onset of puberty. The stage is characterized by adolescent sexual experimentation. Unlike phallic stage which more oriented towards self pleasure, this stage is directed towards heterosexual intercourse.

Freud has also discussed defense mechanisms that Ego performs. It is evident that Ego mediates between the instinctual demands of Id and moral position of Super Ego. Freud proposed following defense mechanisms.

Exhibit 7.2 Defense Mechanisms

Mechanisms	Description
Denial	Refers to the mechanism of blocking external events from awareness.
Displacement	Refers to the mechanism of satisfying an urge with a substitute object.
Projection	Refers to the mechanism where an individual attributes his own unacceptable urges to another individual.

Regression	Refers to the mechanism of going back to behavioral characteristic of an earlier stage of development.
Repression	Refers to an unconscious mechanism where ego attempts to prevent unacceptable urges from becoming conscious.
Sublimation	Refers to the mechanism of satisfying an urge in a way which is socially acceptable.

Freud's work represented the first ever comprehensive theory on the concept of personality and the other theories emerged from his pioneering work. His description on how personality emanates is ground breaking and paved way to a better understanding of the concept.

A comprehensive understanding of Freudian's is a must for a marketer for variety of reasons.

Consumers and products both possess personalities of their own and consumers are always interested and motivated to relate "personality-like" traits to different products and brands. Consumers always match their personality styles with the product/brands they buy and this is very significant for marketers as it assists them in segmenting, targeting and positioning the right market. Freudian's theory also assists marketers in segmenting by way of identifying and understanding the dominating aspect of personality namely, Id, Ego and Super Ego. Presence and dominance of any of Id, Ego and Super Ego result into different personality styles, and variation in decision making styles and consumption patterns.

Marketers also utilize the understanding of personality factors and its association with colors. Marketers keep these associations in mind while designing products, its packaging and also the advertisements. This is quite noticeable in packaging mouthwash in white, herbal soaps as green and motorbikes as black and red.

Another contributor to better understanding of personality is a contemporary of Freud, Carl Jung who proposed his famous Jungian theory where he elaborated on personality types. Jung's theory has great relevance to the study of consumer behavior.

Jung proposed a categorization based on four bipolar dimensions, where each pole represents an opposite preference. He identified four dichotomies whose permutations generated sixteen personality types.

His four dichotomies include:

- Extraversion – Introversion,
- Sensing – Intuition,
- Thinking – Feeling, and
- Judging – Perceiving.

The sixteen personality types are defined in terms of acronyms of the combination of the 4 dimensions they represent. The various types are:

- Extraverted Sensing (ESFP, ESTP),

- Introverted Sensing (ISTJ, ISFJ),

- Extraverted Intuition (ENFP, ENTP),

- Introverted Intuition (INFJ, INTJ),

- Extraverted Thinking (ESTJ, ENTJ),

- Introverted Thinking (ISTP, INTP),

- Extraverted Feeling (ESFJ, ENFJ) and

- Introverted Feeling (INFP, ISFP).

Carl Jung's work on personality types was developed and incorporated into famous MBTI or the Myers-Briggs Type Indicator. It is used extensively in social sciences and other disciplines as a personality inventory to measure the pairs of psychological dimensions.

Carl Jung's theory is significantly relevant for marketers. The theory assists marketers in identifying the various personality types, and supporting marketers in designing effective marketing strategy for different personality segments in a better manner, with an ultimate objective of leaving them more satisfied.

7.5.2 NEO-FREUDIAN APPROACH TO PERSONALITY

Several psychologists disagreed with Freud who strongly admitted that personality is biological and rooted in genetics and improved as a result of early childhood experiences. A group of psychologists existed and firmly believed that personality is not rooted in genetics but its growth is dependant highly on social interaction and relationships. The prominent ones among them were Alfred Adler, Harry Stack Sullivan and Karen Homey and were commonly referred to as Neo-Freudian theorists.

Alfred Adler, known as the father of individual psychology, was a disciple of Freud who later broke from him due to his disagreement with Freud's emphasis on the unconscious. He is credited to use the term 'inferiority complex', something that arose out of a sense of inferiority or inadequacy. Adler argued that people have a motivation for personal growth which is the driving force behind all behavior and experience. He also confirmed that individuals move from an initial stage of inadequacy or what he called "inferiority", toward "superiority", or self actualization.

Sullivan, another psychologist disagreed on Freud's theory of psychoanalysis, and argued that social relationships were extremely important for human beings. His approach which is often referred to as an interpersonal theory of psychiatry, focused on "what goes on between people", as against Freud's theory that focused on "what goes on inside people". He concluded that personality is manifested in social relationships.

His theory which eventually was used as a foundation for Maslow's need hierarchy clearly mentioned that human beings are driven towards two sources of motivation namely, the pursuit of satisfactions and pursuit of security. He furthered his perspective and proposed that human beings try to form and maintain social relationships with each other, especially if such relationships are significant and rewarding.

Another, neo-Freudian worth discussing is Karen Homey, a prominent female personality theorist who extended Frued's work to include the role of social factors. Her perspective that came to be known as psychosocial analysis focused on the emotional relationship that exists between parent and child early in the child's life. While researching on child parent relationships, Karen noticed people abilities to overcome feeling of anxiety. She classified people on the basis of their approach towards overcoming anxiety to include three groups namely, complaint, aggressive and detached (CAD).

- **Complaint:** These refer to people who experience lot of anxiety and helplessness. They look toward other people in order to gain help and acceptance. Such people continuously seek social support, approval and acceptance and so they move towards others. They want to be loved, admired, wanted and appreciated.

- **Aggressive:** Unlike complaint, aggressive people try to overcome their insecurities and anxieties by forcing their power over others, dominating them, or even excelling over them. Such an approach makes them feel secured. They want to successful and powerful and have a desire for personal admiration and achievement. In the process, they could be demanding, selfish, rude and cruel.

- **Detached:** Some people move away from others, as they believe that their involvement will get them hurt. Such people are socially indifferent towards others and are referred to as detached. These are the people who desire independence and like to stay away from obligations.

Karen's three types were eventually utilised in developing a personality test, referred to as the CAD scale and is being used widely in consumer behaviour related studies. The three types discussed above have been accepted as three different segments by the marketers to target different marketing mix. For example, the accommodating consumers who prefer to be in company of other people would like to use a toothpaste with a mouth freshener (Close-Up); an aggressive consumer on the other hand who prefer to outclass others would like to drink health drinks (Boost, Secret of my Energy); and detached consumers who seek total

independence and like to create their own style would like to go for meditation and rejuvenation camps (Vipassana).

Marketers can draw heavily from the work of Neo-Freudians. The theorists unlike Freud, emphasized on role of socialization in developing an individual's personality. Family, friends, social class, culture and sub-culture all impact consumer's personality and ultimately the decision-making. The theories have provided enough ground to use them for segmenting markets and positioning products.

7.5.3 TRAIT APPROACH TO PERSONALITY

We have discussed Freudian and Neo-Freudian theories of personality in the previous section. We will now discuss the trait approach to personality.

Trait theorists believe that an individual's personality make-up originates from the traits that he possesses and therefore stressed on the importance of identification of traits. According to them the traits are specific psychological characteristics and people who possess a particular trait are believed to belong to a specific personality type. A trait decides and guides individual's behavior. Theorists use personality tests, scales and inventories to identify traits and differentiate them.

The trait theories can be of two broad categories, viz., simple trait theories and general trait theories.

- **Simple Trait Theories:** These are the theories that identify a limited number of traits. The people are identified and classified on the basis of these traits.

- **General Trait Theories:** These are the theories that identify a large variety of traits.

Trait theories are highly relevant for marketers simply due to it being realistic, objective and quantitative. It is evident that these theories are more quantifiable and have been able to produce better classification of individuals into personality types; undertake better and objective assessments of individuals through tests, scales and inventories; and appeared more realistic than the Freudian and Neo-Freudian theories.

Personality traits have affected consumer decision making and consumption patterns. Trait theory assists marketers in effective segmenting on the basis of traits, targeting, positioning the product offering and finally designing an effective marketing mix.

Several traits have been identified through researches and they hold relevance for marketers. The major ones include consumer innovativeness, consumer susceptibility to interpersonal influence, cognitive factors and consumer ethnocentrism.

(i) Consumer Innovativeness: It is a trait that assists marketers in understanding consumer's reaction to a new product or a brand or even a change in the marketing mix. It is very important for a marketer to be thoroughly aware with the degree of receptivity of its target segment towards innovativeness. Innovativeness gets related to other personality traits like dogmatism, social character, optimum stimulation levels and variety novelty seeking.

The exhibit below is an attempt to highlight certain important traits and their relevance in marketing strategies.

Exhibit 7.3 Personality Traits & Relevance for Marketers

Personality Traits & Meaning	Relevance for Marketers
Consumer Innovativeness: Refers to the measurement of consumer's response towards a new product/service/brand or to modifications in 4Ps. These are of two types namely: • **High Innovativeness**, where a consumer is willing to try out new product/service offerings and /or brands. • **Low Innovativeness**, where a consumer is reluctant and unwilling to try out new product/service offerings and /or brands.	Measurement of consumer innovativeness helps a marketer to: • Make an assessment of a consumers' readiness to innovate. • Assists in analyzing the degree of receptivity of segment(s). • Assists in identifying the most lucrative segment(s) for a new product/service. • Supports in predicting and forecasting the rate of diffusion and adoption of new products and services.
Dogmatism: It is the measure of the extent of rigidity within a consumer towards something that is new, or unfamiliar or contrary to established preconceptions, ideas and beliefs. The types of dogmatism include: • **High Dogmatism**, refers to the trait where a consumer approaches the new/ unfamiliar/alien/strange object defensively and with great resistance and discomfort in thought and action. Such individuals are "closed-	**High dogmatism:** • Promotes purchase of traditional, established and time tested product/brands; • Facilitates brand loyalty • Requires authoritative appeals for encouraging purchase of new proudcts/brands, • Requires use of credible sources like experts/celebrities

minded." • **Low Dogmatism,** refers to the consumer trait where minimal resistance towards new/unfamiliar/alien/strange object exist. Such individuals are"open-minded" and do not experience any discomfort in thought and action.	**Low Dogmatism:** • Promotes purchase of new products/brands. • Such consumers tend to be innovators. • Requires advertisements that stress upon product features, benefits, factual differences and greater value over previous product offerings and /models.
Social Character: It reflects the degree to which a consumer relies on self or on others in making purchase decisions and forming consumption patterns. The trait can be further divided into: • **Inner Directness**, when an individual relies on his "inner, deep core" values, beliefs and standards in evaluating products and making purchase decisions. • **Other Directness**, refers to the trait where an individual relies on others to take a decision.	**Inner directness:** • Such consumers tend to be consumer innovators. They believe in themselves and make their own decisions. • Marketer should use appeals that are rational and fact providing; they should focus on product benefits, features and the value addition, leaving it finally to the consumer to use his value judgment in assessing the worth of the product/service offering. **Other-directness**: • They tend to be low on innovativeness. • They are socially directed. • For such consumers, the marketer needs to use a social appeal, and focus on advertisements that reflect a social environment and social approval.
Optimum Stimulation Levels (OSL): Every individual has its own OSL limit that measures the degree of calmness or excitement that a person desires.	**High OSL:** • As a consumer, such people are attracted towards the novel and unique; they are innovative by nature, willing to take risks, and

• High OSL is a trait where an individual is high on OSL and continuously seeks a life that is novel and full of excitement. • Low OSL is a trait reflected in an individual's desire for simple, calm and routine life.	try out new products/brands. • The marketer can offer new variants and models or even come up with new products or changes in the marketing mix. • The advertisement should aim at creating awareness of the product, the factual details, features and benefits, and portray uniqueness of the product and excitement in usage. **Low OSL:** • Such people are non-innovators, and go by existing patterns of decision making and consumption behavior; generally brand loyal. • Optimum Stimulation Levels also tend to reflect lifestyle stimulation; • People whose lifestyles are understimulated, tend to feel bored, and would desire anything that offers excitement; On the other hand, people who are overstimulated, desire rest, calm and quiet.
Variety Novelty Seeking: It is variety seeking level of an individual while making a purchase. The trait can be further classified: • **Exploratory Purchase Behaviour:** It refers to a switching pattern where a consumer tries out new and/or better brand alternatives. • **Vicarious Exploration: W**hen a consumer gets to know about a new product/brand, and then consciously	**Exploratory purchase behavior:** • Such consumers are highly innovative. • They are risk takers. • They are very poor on brand loyalty, and are often switchers. • The marketer needs to create awareness about the new product and/or brand

attempts to gain more information, and contemplate purchase, it is referred to as a vicarious exploration. • **Use innovativeness:** When a person discovers a unique or a novel way of using an existing product, it is referred to as use innovativeness.	**Vicarious exploration:** • Such consumers are innovative, but act on logic and rationality. • The marketer needs to use a rational appeal, and explain the product/brand uniqueness in terms of features, benefits, value and facts. **Use innovativeness:** • The consumer prefers to buy the product and/or brand that is novel, or possesses multiple features or is even more attractive in the sense that it has multiple uses and applications. • The marketer needs to provide multiple features and functions (like for example, a LPG gas stove with an Oven), to attract such consumers.

(ii) Consumer Susceptibility to Interpersonal Influence: Consumers are human being and are social in nature. While interacting in the market place consumer are influenced by several social factors including interpersonal influence that have an impact on its decision-making. It is therefore very necessary and important for a marketer to have a sound understanding consumer susceptibility to interpersonal influence.

Several scales can be used to assess consumer susceptibility to social influence. One of such scales is SUSCEP that identify differences amongst people with respect to social influence, and their attitude towards acceptance/rejection of new products and services based on social approval. Consumers who score high on the scale are high on self-confidence as opposed to those who score low on the scale.

(iii) Cognitive Factors: Cognitive personality traits have noteworthy affect on conumer's consumption patterns. Consumer research has established the role of two very important traits that assist marketers in designing their communication strategy. These two include:

- visualizers and verbalizers; and

- need for cognition.

The exhibit below discusses traits and their implications for marketers.

Exhibit 7.4 Consumer Cognitive Personality Traits and their Implications

Personality Traits & Meaning	Relevance for Marketers
Visualizers: Consumers preferring the visual media to obtain product related information. **Verbalizers**: Consumers preferring the print media to obtain prduct related information.	**Visualisers, prefer Television or the audio visual advertisement against the printed material for availing information. Consumer with** this trait should be presented with information largely through the visual media and include pictures, charts, figures and drawings in order to create awareness of the product, the factual details, features and benefits. **Verbalizers, are consu**mers who prefer the print media for availing information about their product and service offerings, as also other information about the 4Ps.
High Need for Cognition: Refers to consumers inclined towards gathering information and enjoy thinking.	Information provided to consumers with high need for cognition must be highly content oriented.
Low Need for Cognition: Refers to consumers characterized by low need for thought and information.	Information provided to consumers with low need for cognition must be low on content and high of context. Such consumers prefer messages through colors, music jingle etc.

(iv) Consumer Ethnocentrism: Ethnocentrism is a symbol of patriotism and leads to a desire to accept or reject foreign made products and/or brands. "CETSCALE", a scale has been developed to measure the consumer's receptivity towards foreign offerings. A complete

understanding of consumer ethnocentrism benefits marketers in the area of segmenting consumers in terms of receptivity towards foreign made products.

Check Your Progress-A

Q1. What do you mean by Personality ?

Q2. What have you inferred from the nature of Personality?

Q3. Discuss various Personality Traits and its relevance for marketers.

7.6   SELF-CONCEPT & SELF-IMAGE

Two important issues are also associated with the concept of personality namely, self-concept and self-image. The self-concept comprises two components, viz., the "actual self", and the "ideal self". The first, i.e., "actual-self", refers to an individual's perception of what/who he

or she is. The second, i.e., "ideal-self", refers to an individual's perception of what/who he or she wants to be.

The concept has significant relevance in the marketplace. Whenever a consumer attempts to relate his own personality with that of the product or service offering the actual-self comes into picture. On the contrary when a consumer makes such a comparison with the product or service offering with his aspirational group the ideal-self comes into picture.

Self-image of a person consists of traits, characteristics, qualities and mannerisms of behavior and arises out of the person's background, values, lifestyles, experiences, interaction with parents, family, friends, peers etc. Alike, self-concept consumers possess a self-image and there exist a relationship between self-image and the brand personality. Consumers always make attempts to match the product or brand personalities with their own self-image.

Various researches in the area of consumer behavior resulted into identification of various kinds of self-image. These include:

- actual self-image (way a consumer perceive himself),

- ideal self-image (way consumer would like to perceive himself),

- social self-image (way a consumer feels others perceive him, or way they think of him),

- ideal social self-image (way the consumer would like others to perceive him), and

- expected self-image (way the consumer expects to see himself in future).

Marketers have experienced success in linking the self-concept and self-image with consumer buying behavior. Each one of us makes our own self-assessment and form an opinion. Based on this image we act in different situations.

Linked with the self-concept and self-image is the concept of brand personality which refers to a set of characteristics similar to human beings that become associated with a brand. So when Boost says "Boost is secret of my energy", or Complan utters, "I am a Complan Boy", they refer to their brand personalities.

Marketers smartly and intuitively establish the link between the three i.e., self-concept, self-image and personality and design marketing strategies including, Segmentation, Targeting & Positioning (STP) and marketing mix to serve consumers better.

7.7 SUMMARY

Consumer response behavior is a complex one. A same consumer responds in different ways in different situations. Much of this response is attributed to the personality a consumer possesses. Personality is the consistent pattern of responses to the internal and external stimuli. It is very important for the marketers to better understand consumer's personality to develop marketing strategies that serve consumers better. To their support several theories of personality exist which have been widely used by the marketers in understanding consumer personality. Freudian, Neo-Freudian and Trait theorists have propounded theories much to the use of marketers.

7.8 GLOSSARY

Personality: Personality is the consistent pattern of responses to the stimuli from both internal and external sources.

Consumer Personality: Consumer personality refers to the unique dynamic organization of characteristics of a particular person, physical and psychological, which influence behavior and responses to the social and physical environment

Id: Refers to the unconscious, irrational part of personality. This part is unaffected by morality and demands of the external world and operates on the pleasure principle. The ultimate objective of Id is to seeks immediate satisfaction.

Ego: Ego is involved with the workings of the real world and works on the principle of reality. It is the conscious, and rational part of personality that regulates thoughts and behaviors. It teaches the person to balance demands of external world and needs of the person.

Super Ego: It is the internal representation of parental and societal values. It works as the voice of conscience, that compels the ego to consider not only the real but also the ideal. It judges one's behaviors as right or wrong, good or bad. Failing up to moral ideals bring about the shame, guilt, inferiority and anxiety in the person.

Consumer Innovativeness: It refers to the measurement of consumer's response towards a new product/service/brand or to amendments in 4Ps.

Dogmatism: It is the measure of the extent of rigidity within a consumer towards something that is new, or unfamiliar or contrary to established preconceptions, ideas and beliefs.

Social Character: It reflects the degree to which a consumer relies on self or on others in making purchase decisions and forming consumption patterns.

Visualizers: Consumers who prefer the visual media or visual information or even products that stress the visual.

Verbalizers: Such consumers prefer the written/verbal media or the written/verbal information or even products that stress the written/verbal.

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7.10   SUGGESTED READINGS

1.

1. Pioneers, Drivers, Integrators and Guardians by Suzanne M Johnson Vickberg and Kim Christfort, in The New Science of Team Chemistry, March – April 2017

7.11 TERMINAL QUESTIONS

Q1. Explain the concept of personality in the context of marketing.

Q2. Explain Freudian theory of personality.

Q3. Discuss Neo-Freudian theories of personality.

Q4. What is Trait Theory of Personality? What is its usefulness for the marketers to understand the consumer behaviour?

Q5. What are the implications of theories of personality for marketers?

UNIT 8 CONSUMER PERCEPTION

8.1 Introduction

8.2 Learning Objectives

8.3 Meaning and Definitions of Perception

8.4 Nature of Perception

8.5 Exposure, Attention and Sensation

8.6 Perception Process

8.7 Stimulus and Individual Factors of Perception

8.8 Bottom-Up and Top-Down Processing

8.9 Situational Influences on Perception

8.10 Marketing Implications of Perception

8.11 Summary

8.12 Glossary

8.13 References/ Bibliography

8.14 Suggested Readings

8.15 Terminal & Model Questions

8.1   INTRODUCTION

One of the biggest issue companies face is the quality of image of their offerings that consumers perceive. Image perception is the major factor that determines what products will be purchased by the consumers. Products and services both undergo a challenge of changing consumer imagery which refers to images of the marketing stimuli that they are faced with.

Perception from biological relevance refers to the senses that any organism uses to collect information about its environment. Wade & Tavris, note that the senses corresponding to the human sense organs have been categorised at least since Aristotle's time as: vision (our eyes), hearing (our ears), taste (our tongues), touch (our skin) and smell (our noses).[1] Walters & Bergiel (1989) continue the biological viewpoint by explaining that according to the modem outlook, our sense of smell and taste are our olfactory senses due to the fact that our senses of smell and taste are so closely entwined. They continue by stating that humans also perceive in

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[1] Wade, C. and Tavris, C. (2007). Psychology. Pearson Education

a kinaesthetic mode (using muscles and joints) and in a vestibular mode (through our internal organs).[2]

In consumer behaviour, however, perception moves beyond the biological use of our sense organs to include the ways stimuli are interacted and integrated by the consumer.

Every individual interprets the stimulus and the meaning attached to it on the basis of his/her own unique biases, needs and expectations. An individual behavior is often connected to his or her perceptions and may not be based on the 'actual' reality. For a marketer also, understanding of the consumer at the market place will depend on what he 'thinks as a reality' or on his perception and knowledge about the world around him.

For better understanding of the buying behavior of individuals marketers must examine the importance of perception and its integration with the related concepts. This information will help him to device marketing strategies and programs.

8.2   LEARNING OBJECTIVES

After completing this unit the participants shall be able to:

- Understand the meaning of perception and define it

- List and discuss the elements of perception

- Understand consumer perception and its implications for marketers

8.3   MEANING & DEFINITIONS OF PERCEPTION

The term "perception" can be defined as the ability to derive meaning. Derived from the word "perceive", perception is the individual's capability of assigning meaning to anything that is sensed by our sense organs. It is the process through which an individual interprets ones' sensory impressions to give meaning to them.

Walters and Bergiel defines perception as, "Perception is a special interpretation that one gives to objects or services brought to the attention of the consumer through senses."[3]

According to Kotler, "Perception is a series of progress of people choose, form, and interpret information to gain an understandable picture of the world."[4]

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[2] Walters, C. G., & Bergiel, B. J. (1989), "Consumer Behavior: A Decision-making approach", Cincinnati, OH: SouthWestern Publishing.
[3] Walters, C. G., & Bergiel, B. J. (1989), "Consumer Behavior: A Decision-making approach", Cincinnati, OH: SouthWestern Publishing.
[4] Kotler, P. (2004), "Principles of marketing 10th ed. Upper Saddle River, NJ: Prentice Hall

Schiffman defines it as "the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world."[5]

A cursory view of all the definitions of perception concludes that it is the process of selecting, organizing, and interpreting stimuli into a meaningful and logical picture of the environment around an individual. Several consumer researches have proved that consumers make decisions based on what they perceive rather than on the basis of objective reality and therefore marketers must understand the strategic implications of perception and devise strategies for effective marketing.

Essentially consumer perception is the process of selecting, organizing, and interpreting stimuli or available information for creating a meaningful picture of the brand or the product. It is a process that translates raw stimuli into meaningful information.

According to Sheth, Mittal and Newman, "customer perception is a process by which an individual selects, organizes and interprets stimuli into meaningful and coherent picture of the world."[6]

Solomon and Stuart defined that three basic aspects of consumer perception are exposure, perceptive selection and interpretation. It means that firstly, consumers perceived about products or services to their sensory from some stimuli, at the same time consumers pay attention to a particular stimuli more than others and after that consumers make a consistent or significant reaction to a particular stimuli based on their meaning perceived. The sensory receptors are the bases of perception.[7]

8.4   NATURE OF PERCEPTION

- **Perception is a Complex Process:** The process of perception that involves the interplay of three processes namely, selection, organization and interpretation is a complex phenomenon. The interrelation and interplay of all the five sensory organs that decides the response behaviour makes the process extremely perplexed.

- **Perception is an Intellectual Process:** Perception is an intellectual process as it involves a lot of cognitive effort. Once sensation takes place, the perception process involves the selection, organization and interpretation of data.

- **Perception is Broad in Nature:** Perception is also characterised by broadness in its nature and scope. It includes sociological and psychological components that are

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[5] Schiffman, L.G., & Knauk, L. L. (2004), "Consumer behavior 8th ed, Upper Saddle. NJ, Prentice Hall.
[6] Sheth, J. N., Mittal, B., & Newman, B. I. (1999), "Customer Behavior: Consumer Behavior and Beyond", Texas, Dryden.
[7] Solomon, M. R., & Stuart, E.W. (2005), "Marketing 3rd ed, Apogeo, Milano.

present in an environment along with the physiological components experienced through sensation.

* **Perception is a Subjective Process:** Consumers are unique in nature and no two consumers perceive the same stimuli in a similar manner. The manner in which two consumers select, organize and interpret the stimuli is different as the two consumers are influenced by their background, learning and experiences, motivation, personality, cultures, values and lifestyles, social class effects etc.

8.5 EXPOSURE, ATTENTION & SENSATION

The process of perception consists of three interrelated aspects namely exposure, attention and sensation.

The first stage in the perception process is that of exposure. Exposure takes place when an individual comes in contact with the environmental stimuli either accidently or deliberately with a purpose of attaining a goal.

The next stage i.e., attention refers to the allocation of mental capacity to a stimulus or task.[8] After being exposed to a message consumer may decide whether or not to pay attention to the stimuli that is in the range of their exposure. The attention may be planned, involuntary or spontaneous.

Planned attention is directed towards a fulfilling a purpose and hence is goal directed. When an individual watches television advertisement or read the print advertisement with an objective of undertaking shopping it is referred to as planned attention.

Involuntary attention occurs when an external stimuli is pushed into our way. Consider hearing an ambulance sound while eating dinner or that of a fire alarm while being engaged in an official meeting.

Spontaneous attention may refer to anything that grabs attention while looking for something else. For instance a perfume bottle may be noticed all of a sudden while shopping in a retail outlet.

Sensation refers to responses of a person's sensory receptors (eyes, ears, mouth, nose, touch) to environmental stimuli and transmission of this information to brain via nervous system.

Environmental stimuli or sensory inputs are received through our five senses. Whenever a consumer decides to purchase any product it goes through our five senses. We see, hear, taste, smell and touch the offering before making any decision. This has got important implications for the marketers and assists them in designing, packaging and presenting products that appeal to all the five senses.

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[8] Daniel Kahneman. Attention and Effort (Upper Saddle River, NJ: Printice Hall, 1973)

For example a customer walking down the fruit market experiences stimuli through all the five senses. A home makes sees colors of different varieties of fruits in the market; smell the fragrances of mangoes and musk melons; tastes samples of mangoes and water melon; hear different vendors promoting their stalls and feel the shape and weight of the fruits she decides to purchase.

The input picked by the young home maker is the raw data which is utilized further for information processing and making the purchase decision.

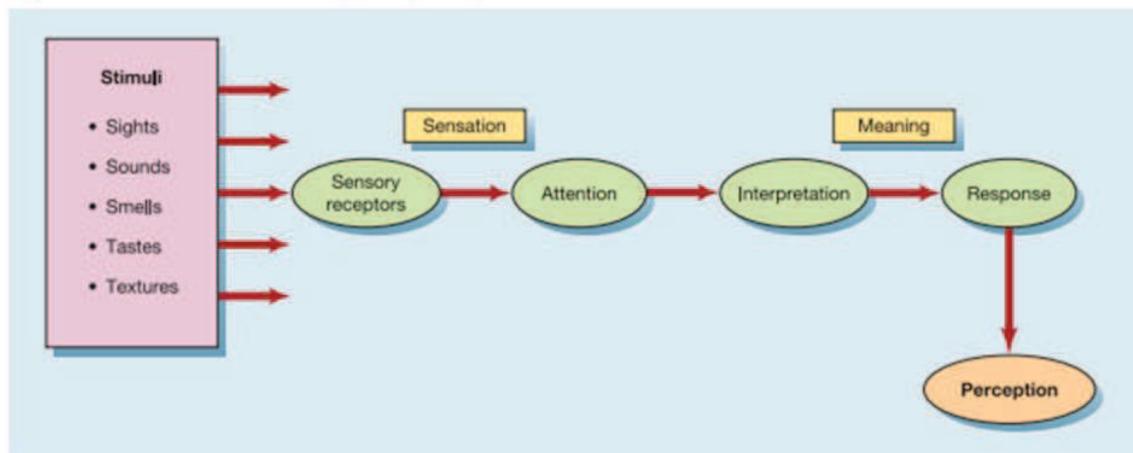The figure below depicts the perception process.

Figure 8.1 Perception Process

We shall now discuss each one these briefly.

- **Vision:** Visual perception is very significant. Consumer researches have proved that at least 80 percent of stimuli that we receive from environment are in the form of visuals. The physical attractiveness forms the first impression of a product, advertisement or a retail store. Marketers rely on this fact and utilize it while packaging the product, designing the advertisement or decorating the retail store.

- **Smell:** Fragrance is an important element in our lives. The scent can make us emotional, feel nostalgic, produce hunger or induce relaxation. Realizing the significance of smell, advertisers use it intelligently to elicit positive response from the consumer.

- **Taste:** Taste has an important connotation for food and beverages products and services. Manufacturers of cookies, fast food, soft drinks, juices, wine and several others pay due attention to taste as it assists in forming perception about the offering.

- **Speech:** One of the most widely used tools of marketer is that of sound and music. Almost all the marketing communications including commercials, sales presentations and otherwise employs sound. Music also has been found to have positive impact on the consumer response. Research on the use of popular songs and song parodies in TV commercials for products including tennis shoes, soft drinks, and cookies revealed a positive effect of such music on consumer's recall of ads.[9] Such recall is enhanced due to the emotional connections that many consumers have with a particular song or performer.[10] Likewise, advertisers have embarked on the music video approach popularized by MTV and VH1 and have used this format to commercials and even entire campaigns.[11] Research shows a positive correlation between music in retail settings and store sales. Noise, on the other hand, is negatively correlated with retail sales.

- **Touch:** Touch as a component of consumer behaviour plays a significant role in influencing the response behaviour. In shopping people often establish physical contact to obtain vital information about the product.

In reality the five senses are interrelated. The five senses smell, see, touch, taste and hear work together in combination. For some people all the five senses mix together to form a sixth sense known as synesthesia.

Associated with these senses is the concept of threshold levels of the sensory process. All the five human sensory processes have an upper and lower limit of responsiveness. There exist three threshold levels for each of the senses. These include absolute threshold, terminal threshold and differential threshold.

- **Absolute Threshold:** There is a limit below which stimulus cannot be detected. The absolute threshold defines this and is the lowest level at which an individual can experience a sensation.

- **Terminal Threshold:** Consider adding extra to a current stimulus that produces no greater satisfaction. Terminal threshold is the point beyond which further increments in the intensity of the stimulus produce no enhanced satisfaction.

- **Differential Threshold:** Differential threshold, also known as Just Noticeable Difference (JND) is credited to the work of Ernst H. Weber, a pioneer in the study of psychophysics. Just-Noticeable Difference refers to the smallest increment in the intensity of a stimulus that can be detected by an individual and still be perceived as an increase or decrease. JND has found a number of potential applications in marketing particularly in the domain of pricing, product sizing and packaging strategies.

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[9] Gail Tom, "Marketing with Music," Journal of Consumer Marketing 7 (Spring 1990), pp. 49-53
[10] James Vail, "Music as a Marketing Tool," Advertising Age (November 4, 1985), p. 24.
[11] James Vail, "Music as a Marketing Tool," Advertising Age (November 4, 1985), p. 24.

8.6 PERCEPTION PROCESS

In the earlier section we discussed the importance of exposure, attention and sensation for perception. These are relevant to understand the process of perception.

Perception is a process that includes selection, organization and interpretation of the stimuli that an individual gather through exposure, attention and sensation while being in an environment. We shall discuss the each one of these briefly.

Selection: The first stage in the perception process is that of selection. All human beings from the day they are born are induced with stimuli. Though we are introduced to all the stimuli present in the environment around us, our brain has limited capacity to process all of them. The first stage of selection therefore is the important decision of what to attend to and what not to attend to. Individuals depending upon their needs, their environment and kind of personality they are focus on a stimulus useful to them.

Selection depends on two factors. First is the consumer's previous experience and second the consumer's motive.

During selection different aspects of selection occur. These many be divided into three main kinds.

- **Selective Exposure:** No one pay attention to media which is not useful .Consumers always look forward to messages which are pleasant, messages they can sympathize with or messages which reassure them. Selective exposure is the tendency of the people to ignore marketing communication including advertisements that are not important to them.

- **Selective Attention:** It is a tendency of individuals to heed information that is relevant and of interest to them and simultaneously avoid information that is irrelevant. For example chain smokers may not pay any attention to warning on the cigarette packet or no smoking advertisements.

- **Perceptual Defence:** It is a tendency of consumers to block any threatening or contradicting stimuli from their conscious processing. It serves as a defence mechanism to protect an individual's self-image and ego.

- **Selective Sensitization:** Individuals also perceive information which is in line with their own needs, beliefs, values or attitudes. This is known as selective sensitization and can be seen among sports fan who will always follow their favourite teams, sports person and readily ignore others.

Organization: Once a specific stimulus is selected out of many in the environment, our brain initiates a series of reactions. The sensory receptors namely, touch, taste, smell, sight, and hearing activates the neural process that results into the construction of a mental

representation of the stimulus (or, in most cases, the multiple related stimuli) called a percept.

Interpretation: Once the selection and organization of stimulus takes place, interpretation of the information that makes sense to our world takes place. Interpretation refers to the process of categorization.

For instance, consider interpreting the vase below.

Figure 8.2 Rubin's Vase Illusion

The above vase is the most popular Rubin's Vase illusion. Some individuals will interpret the sensory information as "vase," while some will interpret it as "faces." This happens unconsciously thousands of times a day. By putting different stimuli into categories, we can better understand and react to the world around us.

The entire perceptual selectivity process can be depicted below in the form of a flow diagram.
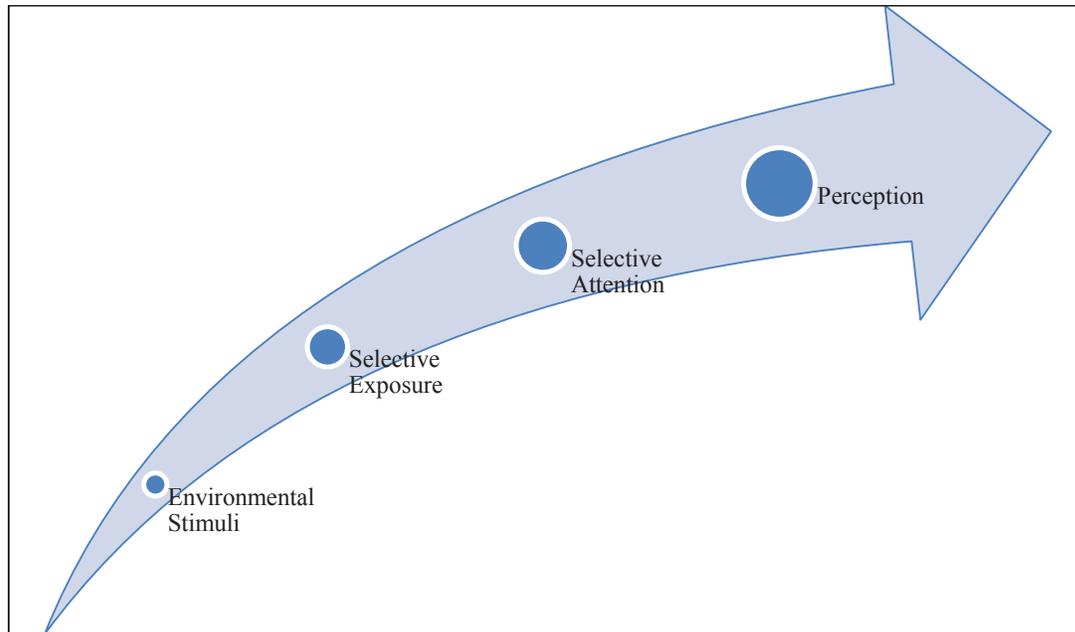
Figure 8.3 Perceptual Selectivity

8.7 STIMULUS & INDIVIDUAL FACTORS OF PERCEPTION

We have seen earlier that marketers attempt to design the physical attributes of products, brands, packages, advertisements, stores etc to attract consumer attention and elicit positive response towards the offering. The physical characteristics of objects are referred to as stimulus factors and include size, color, shape, taste or smell. These factors produce physiological impulses that in turn produce sensation.

On the other hand the individual factors of perception are qualities of people that impact their interpretation of an impulse. Individual factors include consumer's needs, interests, beliefs, goals, experiences, feelings, expectations, memories, personalities, self-perceptions, lifestyles, roles, risks tolerances, attention spans and mental sets. These have power to influence our perception of products, services, brand, stores or policies.

The needs of an individual will influence perception. Those who are hungry will prefer eating anything that comes their way and will find it worth killing the hunger. An individual's interests will determine which channel or which weekly magazine he will subscribe. An individual's beliefs, previous experiences and feelings towards various restaurants will influence his decision to take along friends or family for dinner. Our expectations about future and risk taking ability influence our decision to invest in stock. People with low risk appetite will invest in highly secured products like fixed deposits, while those with high risk appetite and expecting higher return in future will get involved into trading. People tend to

prefer products and brands that are close to their own personalities, life style and self-concept. The role we play in the current life cycle stage frames our perception. As a student we may prefer eating fast snacks but as parents we wish to offer nutritious food to the growing kids. Span of attention that refers to limitations on a person's ability to process bits of information is another individual factor that impacts perception. Children for instance have a short span of attention. Advertisers therefore design longer advertisements that increase the span of attention among them.

Check Your Progress-A

Q1. What do you mean by Perception ?

Q2. Write a note on Nature and Perception.

Q3. Discuss the interrelationship of Exposure, Attention and Sensation

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Q4. Discuss process of Perception in detail.

8.8   BOTTOM-UP & TOP-DOWN PROCESSING

Recent researches attempting to understand how consumers acquire meaning and form perceptions revealed two pathways that sensory inputs can take before an individual forms a perception. These include the Bottom – Up and Top – Down processing.

In the first pathway, known as Bottom – Up processing the stimulus factors like size, color, shape, taste and smell get registered onto a sensory memory. The sensory inputs then get processed at a higher level of the brain. Finally, the meaning of a stimulus gets registered in our long term memory. Information processing proceed from the totality of the small parts i.e., stimulus factors to construct a view of the whole i.e., the perceptual image.

In the second pathway, known as Top – Down processing the individual factors drive the recognition patterns. Information processing in this case is based on our prior knowledge. For example an individual wishing to buy a watch may go for a Swiss made instead of a Chinese one. Individual's preconceived beliefs and knowledge about high quality, precision, dependability and value of Swiss version facilitated the response.

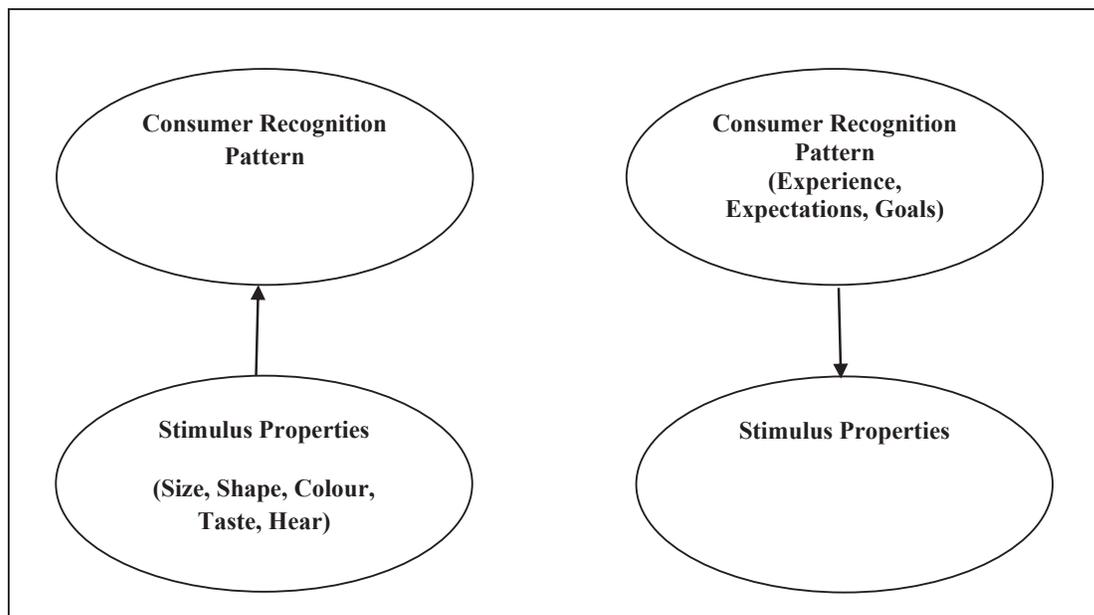The figure below will depict the two kinds of processing.

Figure 8.4 Bottom-Up and Top-Down Processing

8.9 SITUATIONAL INFLUENCES ON PERCEPTION

Consumers and their interactions including exchanges take place in an environment and are affected by the situations that prevail. These are the factors beyond our own characteristics and also those of a product.

Famous Indian adman Pradeep Kakkar and Richard J. Lutz writes, "We may feel exuberant or despondent, leisurely at ease or pressed for time."[12] Russell W. Belk, argues, "We often tailor our purchases according to how we feel at any given time and the specific circumstances in which we find ourselves. Such behavior reflects out situational self-image, the physical and mental state we are experiencing at a specific moment in time."[13]

Situational variables are environmental circumstances that constitute the context within which purchase, product usage and product related communication occurs. These include:

- Physical Surroundings
- Social Surroundings
- Task Definition
- Time Perspective, and
- Antecedent States

We shall discuss each one of these briefly.

(i) Physical Surroundings

Physical surroundings significantly influences our five senses and include its readily apparent properties like store location, parking facilities, product assortment, fixtures, impressive displays etc.

When we look around almost all the retailers today attempt to organize layout(the visible arrangement of merchandise and promotional material), atmospherics (décor, sound or music, lighting, aromas, temperature, humidity), customer services, and a variety of other factors including employee's dress, presentation and conduct to generate the desired perception of their stores.

Even the online websites promoting products and being visited by consumers invests into a creative and compelling website, digital photography, rich interactive media presentation, music, flash and a clever graphic design to create a positive image.

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[12] Pradeep Kakkar & Richard J. Lutz, " Situational Influence on Consumer Behaviour: A Review," in Harold H. Kassarjian & Thomas S. Robertson (Eds.) Perspectives in Consumer Behaviour, 3rd Ed. (Glenview, IL: Scott, Foresman 1981) pp 204-14

[13] Russell W. Belk, "An Exploratory Assessment of Situational Effects in Buyer Behaviour," Journal of Marketing Research 11 (May 1994) pp 156 -63

(ii) Social Surroundings

It is clear that consumer is not alone in marketplace by is socially surrounded by others including family members, store employees and their clients, and the degree of crowding. Sales people's characteristics and manners, and even their interpersonal interactions are all elements of social surroundings.

(iii) Task Definition

Task definition, reflects an individual's role in the shopping process. For instance, one parent may assume the role of buying the clothes for young children while the other assumes the role of buying stationery for their school.

(iv) Time Perspective

Time perspective is the fourth situational factor that influences perception. Time perspective can be considered both in absolute and relative terms. In absolute terms, time dimensions represent hour of the day, day or week or season of the year. In relative terms, time refers to a relationship to some past or future event. Time perspective is very significant for marketers. Both the absolute and relative perspectives influence consumer's response in the marketplace. For instance working couples will mostly shop during the evening or on weekends. Also, online shopping facilitated on web has made drastic changes in the time horizon.

(v) Antecedent States

Antecedent states are temporary physical or psychological state of an individual immediately preceding his or her current state. These can be referred to as momentary conditions or momentary moods including circumstances as having cash in hand or no cash at all; being happy or sad; calm or angry; relaxed or excited etc. Both momentary conditions and momentary moods influence what and how much consumers buy alongside whether or not they buy.

8.10 MARKETING IMPLICATIONS OF PERCEPTION

Consumer perception has several implications for marketers. We have been arguing throughout that every individual is unique with unique backgrounds, experiences, expectations etc. With unique backgrounds and experiences come different perceptions. People therefore perceive things differently and marketers must understand this phenomenon and design their marketing strategies accordingly.

The section below shall briefly discuss areas of consumer perception and marketing efforts targeted towards them. The implications will be discussed for:

i. Perceptual Selection

ii. Perceptual Organization

iii. Perceptual Interpretation

iv. Product and Service Offering and Imagery

v. Perceived Price and Imagery

vi. Perceived Quality and Imagery

vii. Price/Quality Relationship and Imagery

viii. Retail Store and Image

ix. Manufacturer Name and Image

x. Brand Image

xi. Perceived Risk

(i) Perceptual Selection: Following implications emerge for marketers within the domain of perceptual selection.

- Marketers must manage sensory and perceptual factors to influence consumers positively.

- Marketers must give attention to external factors related to the stimuli and internal factors related to the perceiver.

- Marketers should offer different products for different segments and position them accordingly.

- Marketers must keep absolute threshold for a stimulus high to get it noticed.

- Marketers must keep differential threshold in mind while making changes in marketing mix.

- Keeping selective exposure in mind the marketers must design and present pleasant stimuli. This is also true in case of perceptual defense where people filter out threatening and uncomfortable stimulus.

- Marketer must not mess media with too many stimuli to avoid perceptual blocking.

(ii) Perceptual Organization: Following implications emerge for marketers within the domain of perceptual organization.

(a) **Figure and Ground:** Packaging should be done in a manner that the brand stands out against other brands. Also while designing advertisements importance must be given to the product and brand rather than the celebrity.

(b) **Grouping:** While launching a new product, marketers must include the family name or logo so that the benefits associated with the original product get translated to the newer product as well. Marketers must also design messages to promote the product that uses stimuli in close proximity with the product.

(c) **Closure:** Advertisers sometimes use incomplete illustrations, words or jingles to attract attention and enhance recall.[14] Closure refers to our tendency to perceive a complete object even when it is incomplete. On experiencing an incomplete stimulus we mentally complete it. The principle of closure is used by marketers to encourage audience participation to increase the probability of message being attended. At times a teaser element is introduced in the advertisements, and rest is left for consumer to complete it. Such a process generates attention and involvement and a consumer excitedly takes interest in the message.

(iii) Perceptual Interpretation: Similar to selection and organization interpretation is also affected by external factors related to stimuli and internal factors related to the perceiver. The following implications emerge for marketers related to perceptual interpretation.

(a) We have seen that through selective perception consumers tend to perceive only those things which are relevant for them. Accordingly, marketers must be able to relate the offerings through a need-benefit association. Identification and categorization of consumer's needs is an important aspect marketers must look into.

(b) Physical appearance has a very important role. Anything that looks good to our eyes creates the first favourable impression. Marketers therefore must design their product and service offerings aesthetically and take advantage of physical appearances as an influencing factor. This is evident in advertisements where celebrities are used as spokesperson.

(c) Irrelevant and uncomfortable stimuli must not be used as consumers often block them.

(iv) Product and Service Offering and Imagery: Product or brand has its own personality. Consumer has to choose the best among many. In this case the product and brand personality becomes an important aspect for final selection.

(v) Perceived Price and Imagery: Consumer is very sensitive in terms of pricing of a product or a service. Marketers must price an offering in the most realistic manner that creates a favorable impact on consumer's decision-making. Bundle pricing has favorable impact on consumer's perception as it communicates greater saving benefits.

(vi) Perceived Quality and Imagery: Consumer is as quality conscious as price. Quality of a product plays a significant role in forming perceptions. Marketers must attempt to

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[14] James T. Heimbach and Jacob Jacoby, "The Zeigernik Effect in Advertising," in M. Venkatesan (ed.) Proceedings of the Third Annual Conference (Association for Consumer Research, 1972) pp 746-58; Harburger, "Concept Closure"

communicate product or service features in a way that it results into positive positioning of the offering.

(vii) Price/Quality Relationship and Imagery: Price and quality are related. Consumers relate price with quality and price is considered as an indicator of quality. Higher the price better is the product quality. Marketers must be able to offset any increase in price with that of product features and quality.

(viii) Retail Store and Image: Retail store carries their own image and consumers relate it to their own image. Marketers attempt to work on layout, product lines, ambience etc to segment their consumer base. For instance store like Walmart which promotes through everyday low prices has a different segment as against any luxury retail store.

(ix) Manufacturer Name and Image: Consumers are also very informative and selective towards manufacturer's name and image. Any manufacturer who in the past has been found engaged in malpractices will have difficult time appealing to a consumer who looks for a respectable, credible and reputed name.

(x) Brand Image: Image of a brand is very important. Marketers must always attempt to create and restore an image which is positive and elicit positive consumer's response in the marketplace. Product features, attributes, quality as well as the satisfaction results into a positive brand image.

(xi) Perceived Risk: A purchase is always associated with perceived risk which refers to a feeling of uncertainty that arises within an individual when he fails to predict the consequences of product choice, usage and resultant experience. Marketers must identify consumer's perception of risk and apply risk reduction strategies to help reduce the consumer's perception of risk.

Some risk-reduction measures include:

     a)   providing information;

     b)   building and maintaining brand loyalty and/or Store loyalty;

     c)   creating a favorable brand image and/or Store image.

8.11 SUMMARY

We have seen and understood that consumers are unique. Different backgrounds, experiences, expectations etc make them different in same as well as different situations. Perception is a process of assigning meaning to a stimulus and affects consumer's decision-making in variety of ways. This unit deals with the concept of perception and explains the human perceptual process and how it influences consumer's response. It attempts to make participants understand various means marketers adopt to offset influence on consumer's behavior.

8.12 GLOSSARY

Perception: Perception is a series of progress of people choose, form, and interpret information to gain an understandable picture of the world.

Exposure: Exposure takes place when an individual comes in contact with the environmental stimuli either accidently or deliberately with a purpose of attaining a goal.

Attention: Attention refers to the allocation of mental capacity to a stimulus or task

Planned Attention: Planned attention is directed towards a fulfilling a purpose and hence is goal directed.

Involuntary Attention: Involuntary attention occurs when an external stimuli is pushed into our way.

Spontaneous Attention: Spontaneous attention may refer to anything that grabs attention while looking for something else.

Sensation: Sensation refers to responses of a person's sensory receptors (eyes, ears, mouth, nose, touch) to environmental stimuli and transmission of this information to brain via nervous system.

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- Walters, C. G., & Bergiel, B. J. (1989), "Consumer Behavior: A Decision-making approach", Cincinnati, OH: SouthWestern Publishing.

8.14   SUGGESTED READINGS

1. Managing Perceptions by Gill Corkindale, Harward Business Review, April 2017

8.15   TERMINAL & MODEL QUESTIONS

Q1. Discuss the concept of perception and its process.

Q2. Briefly discuss the bottom-up and top-down processing in perception.

Q3. Discuss the situational influences on perception.

Q4. Define:

     a. Exposure, Attention, Sensation

     b. Absolute Threshold, Terminal Threshold, Differential Threshold

     c. Selective Exposure, Selective Attention, Perceptual Defence, Selective Sensitization

Q5. Discuss Marketing implications of perception.

UNIT 9 CONSUMER LEARNING

9.1 INTRODUCTION

Learning is an important aspect that has always attracted marketers. It is the process of acquiring the purchase and consumption related knowledge and experience which is utilized by the consumers in future buying behaviour. By identifying and understanding the different ways of consumer learning marketers are able to design and implement effective strategies that lure consumers.

We have seen that consumers are unique. Brothers living within the same family have different needs. They also have different patterns of learning. Understanding the learning process of a consumer therefore becomes very significant.

KFC the famous fast food chain, that began as a road side eatery joint applied this consumer learning to become one of the fastest food outlets on the Indian highways and elsewhere. KFC updated its unique menu offering by carefully observing and measuring consumer responses and grew steadily to be ranked second amongst the Top 10 Global Food Brands listed in Forbes.

This unit is an attempt to highlight the importance of consumer learning for the companies.

9.2   LEARNING OBJECTIVES

After reading this unit you would be able to;

- Define and understand the meaning of consumer learning.
- List and discuss basic elements, nature and characteristics of consumer learning.
- Explain the learning theories.
- Discuss and understand marketing implications of consumer learning.

9.3 MEANING & DEFINITIONS OF LEARNING

Learning can be termed as acquisition of knowledge. It is referred to as relatively permanent change in the behaviour of a consumer owing to self experience or that of others.

Philip Kotler the famous marketing expert and author defines learning as, "Learning involves changes in an individual's behaviour arising out of experience. Most of the human behaviour is learned over time out of experience."[1]

Schiffman and Kanuk define it as, "Learning is a process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour."[2]

Loudon and Della Bitta's state, "Learning can be viewed as a relatively permanent change in behaviour occurring as a result of experience."[3]

Consumer learning is a process of gathering and interpreting information about products and services and using the information/knowledge in understanding and deepening of buying and consumption patterns. Consumer learning can be of two kinds. First, consumer learning can be intentional. Such learning is a result of a hunt for information. Second, it can also be incidental, and learning in such cases takes places accidentally or without much effort.

Consumer learning is a continuous process that continues throughout the entire life and is of great interest to the marketers. Upon understanding the learning process marketers are able to formulate their strategies and message according to pattern of how consumers receive, store and recall their learning.

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[1] Kotler P., and Keller K.L., Marketing Management, Thirteenth edition, 2009, Pearson.
[2] Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
[3] Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.

9.4 ELEMENTS, NATURE & CHARACTERISTICS OF LEARNING

9.4.1 ELEMENTS OF CONSUMER LEARNING

In order for learning to take place a presence of certain elements is a must. The elements that must remain present for consumer learning to happen include motivation, cues, response and reinforcement. The section below deals with each of these elements briefly.

(i) Motivation: The concept of motivation which rests on need and goals is significant in learning theories as well. Motivation stimulates learning. Therefore consumers interested to take bicycle riding for fitness are motivated to learn all they can learn about bicycle riding and also they practice that often. They might be seeking the information concerning the price, quality and characteristics of bicycle and "learn "what kind of bicycle are best for the kind of riding they want to do. Conversely the individual who are not interested or not motivated to take bicycle for fitness reasons are likely to ignore all the information related to this the activity, the goal (taking bicycle riding to be fit) has no relevance for them. The extent of involvement and relevance decides the consumer's level of motivation towards a complete knowledge and information about a product or service. Marketers are therefore focused to unveil the consumer's motives, to design strategies to fulfil the needs of the consumer segments.

(ii) Cues: Cues and motives are closely related, where motives encourage learning, and cues provide direction to the motives. An advertisement of exotic trip that includes bike riding may serve as a cue for bike riders who may suddenly recognize that they need a vacation. The advertisement is the cue that promotes a particular way to satisfy a significant motive. Price, place, styling, packaging, advertising and store displays all are examples of cues that assist consumers in fulfilling their needs.

Marketer must be very careful about the cues dose not upset the consumer in fulfilling their expectations. For example consumer expects designer clothes to be expensive and to be sold in upscale retail stores. Hence a high end fashion designer must sell his or her clothes only through exclusive stores and advertise only in high scale magazines.

(iii) Response: Response is how an individual reacts or behave to a drive or cue. Even if responses are not clear then also learning can take place. For a car manufacturer he may not be successful in stimulating a purchase by continuously providing a cue, but if the manufacturer succeeds in creating a favourable image of his product it is likely that the consumer will consider his product when he or she is ready to buy. Response can take different forms.

Response may be clear and facilitate purchase of a product or brand. The response may also provide learning for the future, wherein the consumer postpones the purchase for future.

(iv) Reinforcement: Every action has an opposite reaction. The reaction facilitated by an action promotes reinforcement. In practice, whenever the reaction to an action is positive or reward bearing the behaviour is positively reinforced. In such cases repetition of action will be witnessed.

On the contrary if the action (behaviour) creates a negative or unfavourable or unrewarding reaction, the action (behaviour) gets negatively reinforced; and therefore is not repeated.

The exhibit below explains the importance of basic elements of consumer learning.

Exhibit 9.1: Basic Elements of Consumer Learning

Elements	Example 1	Example 2
	A to be wedded groom is looking to buy a designer suit.	**A woman shopping in the mall and feels hungry.**
Motivation	Requirement of a Designer Suit for Wedding	Hunger need triggered off.
Cues	- Discounts/Sales or, - Good Deals or, - Good Designs	- Smell of cakes and pastries; Or, - Good, well-lit confectionary store with good display of goodies to eat; Or, - Billboards and banners publicizing brand etc.
Response	- The groom sees a discount in a store and goes and buys from the shop; Or, - He is unable to find a colour of his choice but he likes the brand/dealer and so decides to come back after a week when the fresh stock arrives and he can get the colour of his choice.	The woman goes and buys the pastry.
Reinforcem	If he buys the suit and finds it	She likes the pastry

ent	comfortable and long lasting, he would buy the same brand or buy from the same shop again. In case he doesn't he would change his brand.	and asks for more. • She does not find it good and eats something else somewhere.

9.4.2 NATURE AND CHARACTERISTICS OF LEARNING

For better explanation of consumer learning it is important to develop an understanding of the nature and characteristics of learning. The section below briefly explains the nature and characteristics of consumer learning.

(i) Involves Relatively Permanent Change in Behaviour: Learning is change oriented. It involves change in behaviour. Consumers are exposed to marketing stimuli, and react towards it by way of purchase and consumption. In case of a positive experience, repeated purchase in favour of the brand will become evident. On the contrary, in case of negative experience, switching of the brand will become evident.

Furthermore, this change in behaviour is relatively permanent and continues till an attempt to change the behaviour is made. Companies utilize this concept to develop predispositions towards their brands. Pepsodent versus Colgate, Pepsi versus Cola, and several examples can be quoted from the fast moving consumer goods (FMCG) and other industries that attempts to take benefit of this nature of learning.

(ii) Involves Experience: Learning involves experience. The change in behaviour happens because of experience only. The experience can essentially take two forms, namely, direct (self-experience) or indirect (experiences of others, and word of mouth). Consumer's positive experience, with a brand leads to a positive opinion and eventually develops into brand loyalty. On the other hand consumer's negative experience, leads to a negative opinion building and eventually a switchover to other brands.

(iii) Reflects Impact of Communication: One of the important characteristics of learning is that it reflects the impact of communication including both commercial and non-commercial. Commercial communication i.e., the marketing communication and the non-commercial communication i.e., the interpersonal communication through which consumers are made aware about the product/service category, attributes, benefits, features, price etc. play a vital role in consumer learning.

(iv) A Cognitive Process: Another important characteristic of learning is that it is a cognitive process. Cognition, the mental action or process of acquiring knowledge and understanding

through thought, experience, and the senses plays a significant role in consumer learning. Cognition facilitates exposure to information, its processing and storage which finally becomes a part of consumer's behaviour.

(v) Learning is a continuous process: Consumer learning is a continuous process. Throughout the life time a consumer is exposed to information, knowledge and experiences which are interpreted, learnt and stored in memory for retrieval. In today's world it is evident that a consumer is exposed to marketing stimuli, involved in discussions and direct and indirect experiences where knowledge is ever evolving.

(vi) Learning may be specific/intentional, ongoing and incidental: Consumer learning may take different forms including specific, ongoing and incidental.

Specific or intentional learning is deliberate and focused on fulfilling a specific need in a specific situation. Specific or intentional learning may facilitate immediate purchase. For example a student freshly enrolled into a college intends to buy a laptop to facilitate his education.

Ongoing learning facilitates purchase sometime in future. In this type the consumer searches for information and add up to his associated network for future retrieval. For instance the same student has been planning to buy a laptop for the past four to five years, and over these past years, he has been gathering information specific to the laptop as a product category and also about the various brands available.

Incidental learning takes places all of a sudden and as a by-product of being involved in some other purchase. Incidental learning is not at all deliberate in nature and takes place without making any effort. For example the same student goes to a mall to assist his mother buy a microwave oven, and ends up buying a laptop which is being demonstrated in the store.

 Check Your Progress-A

Q1. What do you mean by Consumer Learning?

Q2. Discuss nature and characteristics of Learning.

9.5 THEORIES OF CONSUMER LEARNING

There are two important approaches to understanding consumer learning. These include behavioural approach and cognitive approach. Marketers often utilize these theories to develop an understanding of the learning process.

The Behavioural approach or behaviourism is credited to the work of Ivan Pavlov and B.F. Skinner. According to this approach, learning within an individual takes place in response to events/happenings/stimlui in a person's external environment. The behavioural approach explains learning in terms of observable responses to external stimuli or as a relationship between stimulus and response. It is also referred to as associative learning as it makes an association between the events and the external environment.[4]

Ivan Pavlov, one of the main promoters of the behavioural approach conducted his famous experiments on a dog and his theory came to be known as the, 'Theory of Classical Conditioning'. John Watson, an American psychologist moved further and attempted to explain the classical conditioning approach in humans.

Burrhus Frederic Skinner, another proponent of behaviourism, conducted experiments with rats and pigeons and propounded his theory that came to be known as the, 'Theory of Operant Conditioning' or 'Instrumental Conditioning'.

The theorisath who proposed the cognitive approach believed that learning takes place through cognition or a series of mental processing. Unlike behaviourism the proponents of this approach believed that learning happens because of a person's conscious and deliberate information processing and storage activity, often in response to problem solving.

Edward Tolman, one of the main proponents of the cognitive theory, argued that in order to solve a problem a consumer would gather, process and interpret information. Also the information will be stored in memory and be retrieved whenever required.

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[4] Mackintosh, N. J. (1983). Conditioning and associative learning (p. 316). Oxford: Clarendon Press.

9.5.1 BEHAVIOURAL APPROACH TO CONSUMER LEARNING
Classical Conditioning

Ivan Pavlov (1849-1936) was a Russian scientist interested in studying how digestion works in mammals. Pavlov observed and recorded information about dogs and their digestive process.[5] As part of his work, he began to study what triggers dogs to salivate. It should have been an easy study: mammals produce saliva to help them break down food, so the dogs should have simply began drooling when presented with food.

But what Pavlov discovered when he observed the dogs, was that drooling had a much more far-reaching effect than he ever thought: it paved the way for a new theory about behaviour and a new way to study humans. The people who fed Pavlov's dogs wore lab coats. Pavlov noticed that the dogs began to drool whenever they saw lab coats, even if there was no food in sight. Pavlov wondered why the dogs salivated at lab coats, and not just at food. He ran a study in which he rang a bell every time he fed the dogs. Pretty soon, just ringing a bell made the dogs salivate.

Pavlov said the dogs were demonstrating **classical conditioning**. He summed it up like this: there's a **neutral stimulus** (the bell), which by itself will not produce a response, like salivation. There's also a non-neutral or **unconditioned stimulus** (the food), which will produce an **unconditioned response** (salivation). But if you present the neutral stimulus and the unconditioned stimulus together, eventually the dog will learn to associate the two. After a while, the neutral stimulus by itself will produce the same response as the unconditioned stimulus, like the dogs drooling when they heard the bell. This is called a **conditioned response**. The figure below depicts the Pavlov's experiment.

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[5] Pavlov, I. P., & Anrep, G. V. (2003). Conditioned reflexes. Courier Corporation.
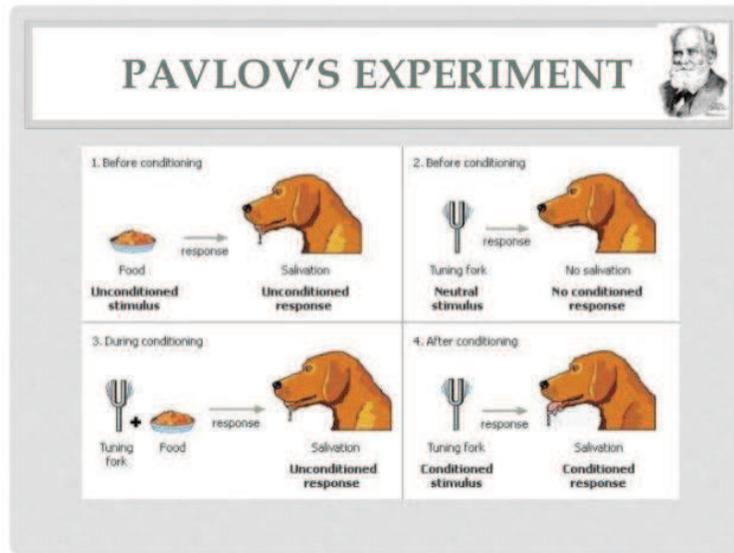
Figure 9.1 Pavlov's Experiment

Pavlov demonstrated conditioning on dogs, but American psychologist John Watson wanted to prove that it happens in humans, too. Watson along with his colleague Rosalie Rayner further extended Pavlov's work and applied it to human beings.[6] His experiments are also known as the Little Albert experiments. In 1921, Watson studied Albert, an 11 month old infant child. The goal of the study was to condition Albert to become afraid of a white rat by pairing the white rat with a very loud, jarring noise (UCS). At first, Albert showed no sign of fear when he was presented with rats, but once the rat was repeatedly paired with the loud noise (UCS), Albert developed a fear of rats. It could be said that the loud noise (UCS) induced fear (UCR). The implications of Watson's experiment suggested that classical conditioning could cause some phobias in humans.

The figure below depicts Watson's Little Albert Experiment.

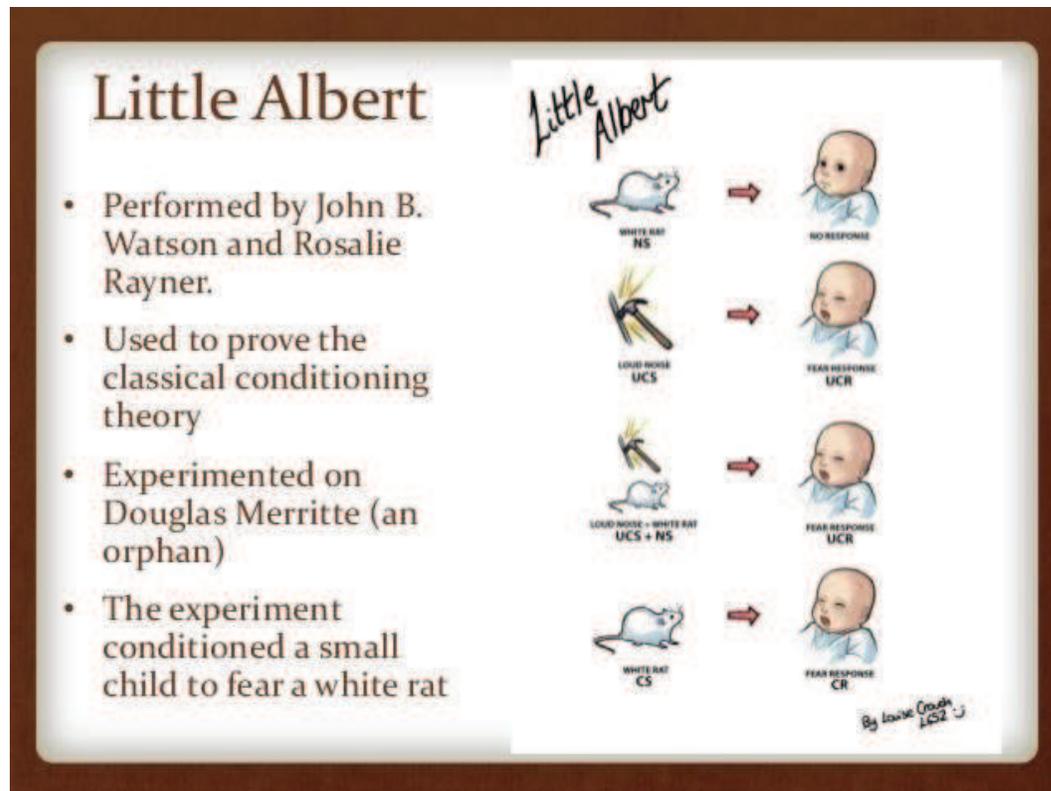[6] Watson, J. B. (2013). Behaviorism. Read Books Ltd.

Figure 9.2 Little Albert

Operant Conditioning

Operant conditioning was introduced for the first time through the works of Edward L. Thorndike in the late 1800s. The theory which is a part of behaviourism that focuses on changes in an individual's observable behaviour was brought to popularity by the works of B. F. Skinner in the mid-1900s.

In operant conditioning, new or continued behaviours are influenced by new or continued consequences. Much of this research informs current practices in human behaviour and interaction.

B. F. Skinner advanced Edward's work under his famous reinforcement experiments that he conducted on lab rats and domestic pigeons and demonstrated the most basic principles of operant conditioning. Skinner quotes for operant conditioning, "A behaviourist theory based on the fundamental idea that behaviours that are reinforced will tend to continue, while behaviours that are punished will eventually end."[7]

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[7] Skinner, B. F. (2011). About behaviourism. Vintage

Operant conditioning can be described as a process that attempts to modify behaviour through the use of positive and negative reinforcement. Through operant conditioning, an individual makes an association between a particular behaviour and a consequence.[8]

For example, consider a parent awarding the child with a candy on getting good grades or a school teacher awarding stars to students who finish lunch well in time. Students eventually realize that when they voluntarily finish their lunch they earn stars.

Reinforcements consist of two types.

- Positive & Negative Reinforces
- Positive & Negative Punishment

Positive reinforcers consist of favourable results that are given to the individual post the desired behaviour and may include praise, rewards, etc. Negative reinforcers consist typically of removing an undesired or unpleasant outcome after the desired behaviour. A response is strengthened as something considered negative is removed. The goal in both of these cases of reinforcement is for the behaviour to increase.

Punishment refers to infliction of a penalty towards something undesirable. In consumer learning the term may be referred to as increase of undesirable outcomes to cause a decrease in the behaviour that follows.

Punishment can be of two types, namely positive punishment and negative punishment. In order to decrease the existing behaviour the positive punishment enforces unfavourable events or outcomes. On the other hand negative punishment is aimed at decreasing the undesirable behaviour by removing the favourable event or outcome. In both the cases of positive and negative punishments the goal is for the behaviour to decrease.

Using a special cumulative recorder known now as "Skinner Box", Skinner used to record and analyze the behavioural responses of his test subjects. Skinner targeted his subjects with positive reinforcement, negative reinforcement, or aversive stimuli in various timing intervals (or "schedules") with an objective to produce, record and analyse specific target behaviours.

In his first work with rats, Skinner would place the rats in a Skinner box with a lever attached to a feeding tube. Whenever a rat pressed the lever, food would be released. After the experience of multiple trials, the rats learned the association between the lever and food and began to spend more of their time in the box procuring food than performing any other action. It was through this early work that Skinner started to understand the effects of behavioural contingencies on actions. He discovered that the rate of response—as well as changes in response features—depended on what occurred *after* the behaviour was performed, not before. Skinner named these actions *operant behaviours* because they *operated* on the environment to produce an outcome. The process by which one could

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[8] Reynolds, G. S. (1975). A primer of operant conditioning. (Rev ed)

arrange the contingencies of reinforcement responsible for producing a certain behaviour then came to be called *operant conditioning.*

To prove his idea that behaviourism was responsible for all actions, he later created a "superstitious pigeon." He fed the pigeon on continuous intervals (every 15 seconds) and observed the pigeon's behaviour. He found that the pigeon's actions would change depending on what it had been doing in the moments before the food was dispensed, regardless of the fact that those actions had nothing to do with the dispensing of food. In this way, he discerned that the pigeon had fabricated a causal relationship between its actions and the presentation of reward. It was this development of "superstition" that led Skinner to believe all behaviour could be explained as a learned reaction to specific consequences.

In his operant conditioning experiments, Skinner often used an approach called *shaping*. Instead of rewarding only the target, or desired, behaviour, the process of shaping involves the reinforcement of successive approximations of the target behaviour. Behavioural approximations are behaviours that, over time, grow increasingly closer to the actual desired response.

Skinner believed that all behaviour is predetermined by past and present events in the objective world. He did not include room in his research for ideas such as free will or individual choice; instead, he posited that all behaviour could be explained using learned, physical aspects of the world, including life history and evolution. His work remains extremely influential in the fields of psychology, behaviourism, and education.

Difference between Classical & Operant Conditioning

	Classical Conditioning	**Operant Conditioning**
Type of Behaviour	Spontaneous and involuntary in nature	Non-spontaneous and voluntary behaviours in nature
Source of Behaviour	External and triggered by stimulus	Internal and produced by organism
Basis of Learning	Associates two stimuli: CS + DCS	Associates a response and the consequence that follows it
Responses Conditioned	Physiological and emotional responses	Active behaviours that operate on the environment
Extinction Process	Conditioned response decreases when conditioned stimulus is	Responding decreases with elimination of reinforcing

	repeatedly presented alone	consequences
Cognitive Aspects	Expectation that CS reliably predicts the UCS	Performance of behaviour influenced by the expectation of reinforcement or punishment
Biological Predispositions	Innate predispositions influence how easily an association is formed between a particular stimulus and response	Behaviours similar to natural or instinctive behaviours are more readily conditioned

9.5.2 COGNITIVE APPROACH TO CONSUMER LEARNING

We have seen that cognitive theorists believe learning as a function of mental processing. According to them it is complex mental process that involves information processing and storage activity.

The cognitive approach to learning is credited to the work of Edward Tolman, who conducted a series of experiments on rats, and finally came up with his findings. Through his experiments Tolman attempted to endorse cognitive theorists that response towards stimuli are not always reflexive and automatic, or out of pure conditioning; there is much beyond pure reflex or conditioning.

In his experiment, a T-maze was designed and used to identify the learning patterns of rats while searching food in the maze. To start with, Tolman kept food in the right corner of the T maze; a white rat was put in the maze, and was trained to turn right to obtain the food. A relationship between the cue (food: smell of food) and the expectation (appropriate movement would lead to the food) was established. Thereafter, Tolman changed the position of the art and started him from the opposite part of the maze. According to the past conditioning (instrumental conditioning, R→S), the rat should have turned right, but instead it moved in the direction where the food was kept. The rat has learnt to move through the maze with a motive and direction, towards the food (goal), and a connection was built between the stimulus and the stimulus (S→S). The rat had not only learnt to form an association between the cue and the expectation, (i.e., the smell of the food acted as the cue; and the right movement across the maze to obtain it, was the response), but he had also memorized this association. As the association between the cue and the expectancy was strengthened, learning occurred.

Tolman established the belief of cognitive theorists that a living being, animal/human being perceives a stimulus (object/situation/person./event) in a particular manner; on the basis of his perception, he assigns meanings and corresponding responses to the stimulus; a set of

expectations about the outcome are also generated. The living entity begins to associate a cue with an expectation and memorizes this relationship; this leads to learning. A cognitive structure of this relationship is formed in the memory and is preserved it until it needs to be retrieved in future; learning based on this mental activity is called cognitive learning.

Check Your Progress-B

Q1. Discuss Pavlov's Experiment.

Q2. Discuss the relevance of Operant Conditioning with reference to Consumer behaviour.

Q3. Discuss Cognitive Approach to Consumer Learning.

9.6 MARKETING IMPLICATIONS OF CONSUMER LEARNING

The Pavolian theory provides insight into the understanding of consumer behaviour. Though his theory gives some direction to marketers; still consumer response behaviour is very vivid and cannot be contained or understood through the lens of classical conditioning established by Ivan Pavlov. Some aspects where his theory is useful for marketers are discussed in brief.

Repetition: We have seen that Pavlov repeated the pairing to increase the association. This is also visible in marketing efforts of the companies. Signs, symbols, logos, colours and jingles help facilitate consumer learning through the process of association and marketers repeat their messages either in print or in audio visual media across channels several times a day. Repetition slows down the pace of forgetting.

Stimulus Generalization: It is the tendency to respond similarly to slightly different or similar stimuli and therefore generalizing learning. This concept is very significant behind the success of "me too" products. Many consumers who fail to differentiate between the "me too" from the original products/brands are victims of stimulus generalization which marketers use. For example Puma vs. Pama; Adidas vs. Abcids; Sony vs. Sonia; KFC vs. KLC; Panasonic vs. Panosaonic. Apart from "me too" products several competitors in order to capture the market resort to advertisements or packaging that evokes stimulus generalization. For example Duracell and Eveready played very similar advertisements to take benefit out of this generalization. Also product line extensions, brand extension, family branding, licensing are used by marketers to take benefit of already successful brands.

Stimulus Discrimination: Stimulus discrimination which is opposite of stimulus generalization, is the ability to differentiate a particular stimulus from among similar stimuli. Marketing a product by focusing on Unique Selling Proposition (USP) is one such example.

Pavlov's theory contributed in basic understanding of consumer's response. Consumers respond to learning via classical conditioning when:

- The level of perceived risk is low (and cognitive effort is not required)
- Products are low on differentiation
- Purchases are routine; convenience goods and impulse items.

Similar to classical conditioning, operant conditioning has implications for marketers. Consumers respond to learning via instrumental conditioning when:

- Trial can be attempted before purchase
- Purchases are linked to desirable affective experiences
- There is higher involvement and greater cognitive activity.

The concepts of positive and negative reinforcements and positive and negative punishments assists marketers a long way. Marketers utilize the conditioning when consumer is rewarded for a decision in their favour or punished for a decision in favour of a competitor. Rewards in this context may include product satisfaction, value for money, services and facilities provided, rebates, discounts, loyalty points, etc.

9.7 SUMMARY

Marketers communicate with consumers on a regular basis. The sole objective of marketers is to stay ahead of their competitors. In order to do so it is imperative to listen and speak the language of consumers. Marketers therefore strive to identify processes through which consumer learns and reinforces the response behaviour. Several theories have been propounded in the past to assist marketers in understanding consumer learning process.

Behavioural and cognitive theories have strong marketing implications that assist organizations in serving consumer better. The current unit highlight the consumer learning process and the theories that shape the consumer response.

According to behaviourism, learning within an individual takes place in response to events/happenings/stimlui in a person's external environment. The behavioural approach explains learning in terms of observable responses to external stimuli or as a relationship between stimulus and response. It is also referred to as associative learning as it makes an association between the events and the external environment.

The theorists of cognitive approach believe that learning is a function of mental processing. Unlike behaviourism the proponents of this approach argue that learning takes place as a result of a person's conscious and deliberate information processing and storage activity, often in response to problem solving.

9.8 GLOSSARY

Learning: Learning involves changes in an individual's behaviour arising out of experience. Most of the human behaviour is learned over time out of experience.

Consumer Learning: Consumer learning is defined as a process by which people gather and interpret information about products and services and use this information/knowledge in buying patterns and consumption behaviour.

Behavioural Approach: According to this approach, learning within an individual takes place in response to events/happenings/stimlui in a person's external environment.

Cognitive Approach: According to this approach learning takes place as a result of a person's conscious and deliberate information processing and storage activity, often in response to problem solving.

Positive Reinforcers: Positive reinforcers are favourable events or outcomes that are given to the individual after the desired behaviour.

Negative Reinforcers: Negative reinforcers typically are characterized by the removal of an undesired or unpleasant outcome after the desired behaviour.

Positive Punishment: Positive punishment is when unfavourable events or outcomes are given in order to weaken the response that follows.

Negative Punishment: Negative punishment is characterized by when an favourable event or outcome is removed after a undesired behaviour occurs.

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9.10 SUGGESTED READINGS

1. Learning From Extreme Consumers, Case Study By Jill Avery & Michael I. Norton, Published In HBR January 2014

9.11   TERMINAL & MODEL QUESTIONS

Q1. What do you mean by "consumer learning?" Discuss the basic elements of learning?

Q2. Discuss the nature and characteristics of Consumer Learning.

Q3. Mention the two main approaches to the study of learning?

Q4. Ivan Pavlov's theory of Classical Conditioning?

Q5. Discuss Skinner's theory of Operant Conditioning?

Q6. Differentiate between classical and operant conditioning.

UNIT10 CONSUMER ATTITUDE FORMATION

10.1 Introduction

10.2 Objectives

10.3 Meaning of Consumer Attitude

10.4 Importance of Understanding Consumer Attitude for a Marketer

10.5 Components of Attitude

10.6 Structural Models of Attitude

10.7 Learning of Attitude

10.8 Consumer Attitude and Functions Served

10.9 Factors Influencing Attitude Formation

10.10 Summary

10.11 Glossary

10.12 Answers to Check Your Progress

10.13 References/ Bibliography

10.14 Suggested Readings

10.15 Terminal & Model Questions

10.1 INTRODUCTION

Attitude is a psychological construct of a human being. It refers to how a person thinks, feels, believes and consequently responds or acts with respect to an object, person, situation or event. Attitude is object specific or object oriented and is learnt through experience, education and environment. Consumer attitude refers to the attitude of the consumer towards products, brands, purchase and consumption. It is important for a marketer to understand consumer attitude as the attitude of the consumer towards a product or brand would determine whether he or she would buy the product or not. Consumer attitude may also have a bearing on the consumers' decision regarding the time of purchase, place of purchase, quantity of purchase, frequency of purchase, the price at which the consumers would purchase, etc.

In this unit, you will study about the meaning and relevance of consumer attitude and understand how consumer attitude is formed. The unit will also make you aware of the factors that influence consumer attitude and help in the formation of consumer attitude.

10.2   OBJECTIVES

After reading this unit you will be able to;

- Understand the meaning of Consumer Attitude
- Appreciate the relevance of understanding consumer attitude for a marketer.
- Identify and explain the factors that influence consumer attitude.
- Explain the models of consumer attitude.
- Understand how consumer attitude can be formed

10.3 MEANING OF CONSUMER ATTITUDE

Attitude is a psychological construct. It refers to how a person thinks, feels, believes and consequently responds or acts with respect to an object, person, situation or event. **It can be defined as "a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object"** (Schiffman & Kanuk, 1998).

Attitude is object specific or object oriented and is learnt through experience, education and environment. Consumer attitude refers to the attitude of the consumer towards products, brands, purchase and consumption. In other words it is a learned predisposition of the consumer to behave in a consistently favourable or unfavourable way with respect to a consumption/purchase object or situation.

Important things to understand about consumer attitude are:

Attitude is Learned: It implies that attitude is not innate but is acquired and learned. It may be learned through direct or indirect experience. Direct experience means one's own experience with the product, brand or the object in question. Indirect experience means the experience that someone else had and was later communicated to us through some means. It is not the firsthand experience. Learning may also take place through gathered knowledge obtained from reading, books and literature, attending seminars, symposiums and lectures, participating in discussions and participating in specialised courses and trainings. Environment in which an individual grows and lives also contributes to learning that may shape his attitude.

Attitude is the Consumers' Predisposition: It is a predetermined way in which the consumer would react or respond to a given situation or object.

Attitude is Consistent: It implies that how a consumer would react, respond or behave to a given object or to a given type of situation remains fairly similar or uniform every time.

Attitude may Change: Attitude may be consistent, which implies that it may remain uniform for a fairly long period of time. However, it is not permanent and is subject to change. Attitude of an individual may change because of change in circumstances, because of some major events in the life of the person, because of some new experiences and because of the change in the thought process of the individual. As human attitude in general and consumer attitude in particular is subject to change, a marketer may make efforts to transform an unfavourable attitude of the consumer towards his product to a favourable attitude.

Attitude is Object Oriented: It means that attitude of an individual is always in relation to an object in question. In other words, attitude is 'object' specific. Thus the same person who has a favourable attitude towards a brand may have an unfavourable attitude towards another brand. Or a consumer who has a favourable attitude towards one product from a particular company may have an unfavourable attitude towards some other product from the same company. Thus the attitude of an individual or that of a consumer cannot be generalised for all types of situations. Therefore the phrases, "a person has a positive attitude" or "a person has a negative attitude" are meaningless until and unless the object in relation to which the attitude is being discussed is specified.

10.4 IMPORTANCE OF UNDERSTANDING CONSUMER ATTITUDE FOR A MARKETER

It is important for a marketer to understand consumer attitude as the attitude of the consumer towards a product or brand would determine whether he or she would buy the product or not. Consumer attitude may also have a bearing on the consumers' decision regarding the time of purchase, place of purchase, quantity of purchase, frequency of purchase, the price at which the consumers would purchase, etc. Thus understanding consumer attitude helps the marketer in:

- Predicting how the consumers would respond to different marketing situation

- Predicting the consumers' response to different kinds of marketing stimuli and thus planning the marketing mix accordingly.

- Understanding consumers' preference for different kinds of products.

- Understanding consumers' response to different promotional activities.

10.5 COMPONENTS OF ATTITUDE

According to the tri component model of attitude, attitude consists of three components: a cognitive component, an affective component and a conative component.

1. **The Cognitive Component:** Cognition refers to the process of thinking, which is the result of knowledge, perception and reasoning. The cognitive component consists of the thinking process which contributes to the formation of attitude towards an object. Our knowledge, believe and thoughts about the object guides our response towards the object.

2. **The Affective Component:** The affective component consists of our emotions and feelings towards the object or related to the object. The emotional attachment or feelings that a consumer has for a brand or product because of some favourable past experience with it or because of some pleasant and memorable association with it shapes his attitude towards the product or the brand.

3. **Conative Component:** Conative component also known as the behavioural component refers to the likelihood and tendency of an individual to respond or behave in a certain way with respect to the attitude object. In case of a consumer, it may include the consumer's intention to buy. The actual act of purchasing may also constitute a part of the conative component.

These three components impact each other and are mutually reinforcing. This means that while the cognition of a consumer influences his affect and action, at the same time it is influenced by the affect (ie, emotions) of the consumer and his conation. Similarly while emotions influence the thought process and the action, emotions of the consumer are simultaneously shaped by his thought process and actions.

Fig 10.1 Tricomponent Attitude

Source: https://www.slideshare.net/FliesNetwork/attitude-and-change
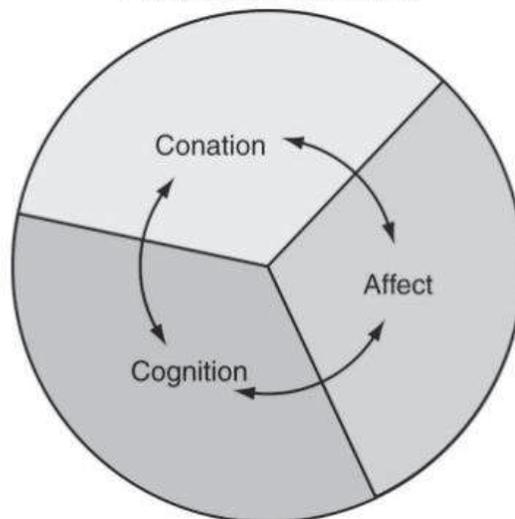
Check Your Progress-A

Q1. What do you understand by attitude? Discuss the important characteristics of attitude.

Q2. Why is it important for a marketer to understand consumer attitude?

Q3. Enumerate and explain the components of attitude.

Q4. Choose the correct alternative.

(a) Which of the following components of attitude refers to emotions and feelings?

   a. Cognitive Component

   b. Affective Component

   c. Conative Component

   d. All the above

(b) Which of the following is not true?

   a. Attitude is learned

   b. Attitude is permanent

   c. Attitude is consistent

   d. Attitude is object specific

Q5. Fill in the Blanks with appropriate word or words.

a. Attitude is a _____ predisposition to behave in a consistently favourable or unfavourable way with respect to a given object.

b. Attitude is consistent but not _____ .

10.6 STRUCTURAL MODELS OF ATTITUDE

Besides the tri component model of attitude, there are two more models that help in understanding consumer attitude and formation of consumer attitude. These two models are:

1. Attitude-Towards-Object Model and

2. Attitude-Towards-Behaviour Model

Both the models have been Martin Fishbein and his associates.

1. **Attitude-Towards-Object Model:** According to this model of attitude, attitude of a consumer is the function of the presence or absence of certain product specific attributes and his object evaluation based on his beliefs about the attributes. This means that a consumer develops a favourable attitude towards a product or brand that exhibits adequate level of those attributes that the consumer believes to be positive and hence finds desirable. Similarly he develops an unfavourable attitude towards a product or brand that exhibit less than adequate level of those attribute that the consumer believes to be positive. This model is helpful in evaluating and assessing consumer attitude towards various product categories, products and brands.

2. **Attitude-Towards-Behaviour Model**: This model talks about the attitude of the consumer towards behaving in a specific manner with regards to an object rather than the attitude towards the object per se. The model may be explained with the example of a person who has a highly favourable attitude towards a particular brand of luxury car but may strongly disapprove of spending an exorbitant amount on buying a car. Consequently he exhibits an unfavourable attitude towards the act of purchasing the car.

10.7 LEARNING OF ATTITUDE

We know that attitude is not innate but is formed or acquired through the learning process. Therefore it makes sense to understand how attitude is developed through the learning process or in simpler words, how attitude is learned. Learning of attitude can be explained through three of the learning theories: Classical Conditioning Theory, Instrumental Conditioning Theory and Cognitive Learning Theory.

1. **Classical Conditioning Theory:** According to classical conditioning theory, learning takes place when a stimulus, coupled with another stimulus that elicits a known response, produces the same response when used alone. The theory was propounded and illustrated by Ivan Pavlov, a Russian scientist. In the case of a consumer, a consumer learns to develop a favourable mindset and tends to develop a favourable feeling for a new product, if it is launched under a brand name that the consumer holds in high esteem. The association of a new product with a favourably perceived brand name trains his mind to perceive and treat the new favourably. Similarly when an admired celebrity endorses a brand or a product, the consumer starts looking at the brand as an extension of the celebrity and his or her characteristics and virtues. He learns to have a favourable disposition for the endorsed product or brand.

2. **Instrumental Conditioning Theory:** Instrumental conditioning is also known as operant conditioning. The theory was proposed by B.F. Skinner, an American Psychologist. Instrumental conditioning states that if an individual is rewarded for his behaviour, he learns to repeat that behaviour. In case of a consumer, if he is rewarded in some way for using a product or brand and he receives a positive reinforcement, the consumer will develop a positive feeling and outlook for the product/brand. He will learn to repeat his purchase and consumption behaviour. The consumer thus develops a positive attitude for the product/brand which gave him a rewarding experience. According to this theory, the consumer learns through the trial and error process. Some products give him a rewarding experience and he develops a favourable attitude for those products while some products do not give him a rewarding experience for which he develops a less favourable or unfavourable attitude.

3. **Cognitive Learning Theory:** According to the cognitive learning theory, mental involvement in the search and evaluation of information helps an individual to learn about the object in question. Thus the cognitive ability of an individual which includes his ability to seek knowledge and search for information, evaluate information and reason out facilitates his learning. In the arena of marketing, the active mental involvement of a consumer in evaluating products and brands results in the development of favourable or unfavourable outlook for different brands/products evaluated by him.

Check Your Progress-B

Q1. Explain the 'Attitude-Towards-Object' model.

Q2. Explain the 'Attitude-Towards-Behaviour' model.

Q3. With the help of different theories of learning, explain how attitude can be learnt.

Q4. MCQs

a) Instrumental Conditioning Theory is also known as:

   a. Classical Conditioning Theory

   b. Neo- Classical Conditioning Theory

   c. Operant Conditio0ning Theory

   d. Cognitive Learning Theory

b) Classical Conditioning Theory was proposed by

   a. David Ricardo

   b. B.F. Skinner

   c. Ivan Pavlov

   d. Frederick W. Taylor

Q4. Fill in the Blanks with appropriate word or words.

a) According to the _____ _____ Theory consumer learning takes place through the trial and error process.

b) According to the _____ _____ Theory active mental involvement in the evaluation of a brand helps in developing consumer attitude towards the brand.

c) According to the _____ model, a consumer develops a favourable attitude towards a brand that exhibits adequate level of those attributes that the consumer believes to be positive.

10.8 CONSUMER ATTITUDE AND FUNCTIONS SERVED

A consumer holds a particular attitude towards an object as the attitude serves a certain function for him (Katz, 1960). According to Daniel Katz (1960), the attitude of the consumer can serve one of the four functions which are: Utilitarian Function, Ego Defensive Function, Value Expressive Function and Knowledge Function.

1. **Utilitarian Function:** A consumer exhibits a favourable attitude towards a product which has either served some utilitarian need for him in the past or which he believes will be of some practical use for him. For instance, if a consumer seeking to reduce her weight believes that Kellogs-K, a brand of cornflakes offers the benefit of weight loss and fat reduction, she will develop a favourable attitude towards the brand.

2. **Ego-Defensive Function:** Every human being wants to have a positive self-image of his own self and unconsciously or consciously keeps on looking for assurance of his positive self-concept. It is natural for every human being to have an inclination towards that object or person who reassures and reaffirms him of his good self-image. Thus, a consumer, true to his human nature also remains on the lookout for a consumption object that would promise to preserve and enhance his self-image and self-worth. So if a brand or a product reassures and reaffirms him of his self-image and self-esteem and reinforces his self-worth, the consumer is likely to have a positive attitude towards the product. Several brands therefore try to reinforce a strongly positive self-image for the consumer through their marketing communication. Loreal, the brand of cosmetics, for instance, uses the tag line "Because you are worth it". This type of tagline serves well to conserve and enhance the self-worth of the consumers and create a favourable attitude in them towards the brand.

3. **Value Expressive Function:** If a product or a brand helps the consumer to express the values he holds dear, the consumer is likely to be drawn towards that product and brand and develops a positive attitude towards it. Several luxury brands serve this very purpose and they do it very well. Many consumers want to display the labels of their fashion brands on their apparels and accessories as they believe doing so makes the people perceive them as fashionable.

4. **Knowledge Function:** Human beings have a desire to know and understand the things and people with whom they interact and the environment around them. They tend to develop a positive attitude towards those things and objects that satisfy this cognitive need. Thus if a product is able to provide relevant, useful and usable information and knowledge to the consumers, they form a favourable attitude towards that product.

10.9 FACTORS INFLUENCING ATTITUDE FORMATION

The formation of consumer attitude is influenced by several factors like:

- **Experience**

- **Family and Friends**

- **Marketing Efforts**

- **Direct Marketing**

- **Mass Media**

- **Social Media**

- **Personality Factors**

Besides these, factors like education, values and beliefs, environment, etc. also influence the formation of consumer attitude. Here follows a brief description of the above mentioned factors and how they influence the formation of consumer attitude.

1. **Experience:** The experience that a consumer has with a brand determines his attitude and consequently his behavior towards the brand. A favourable and pleasant experience with a product will make the consumer favourably predisposed towards the product and increase his likelihood to go for a repeat purchase of the product but an unpleasant experience will make him apprehensive of buying the same product again. Besides the direct experience of the consumer, the experience that other people had with a brand or a product also affects the consumer's attitude towards it. This is the reason why a product that gets many negative reviews and comments on an e-commerce portal is not easily purchased by new customers.

2. **Family and Friends:** Family and friends have a very important impact on a consumer's buying decisions. One of the reasons for this is that the family members and friends influence the consumer's attitude towards various objects as well as actions. Family and friends constitute the primary group of a consumer and their opinions and suggestions are considered to be most valuable by an individual.

   The primary values and beliefs inculcated by an individual come from his or her family. It is the family that has the greatest impact in shaping the value system of an individual. Learning of an individual is also majorly influenced by the environment and values given to him by the family. As attitude is a function of values, beliefs, value system and learning all of which are shaped by the family, one of the most important factors that influence consumer attitude formation is the primary group consisting of family and friends.

3. **Marketing Efforts:** The attitude of a consumer is also shaped by the inputs from his environment, by information from various sources and by his learning. A marketer makes a conscious effort to provide all these things to his customers and prospective customers in the form of marketing stimuli and cues so as to influence the thought process and emotions of the consumer, which if favourably influenced may result in a positive attitude towards the company, its products and brands. If the information sought by a consumer is satisfactorily provided to him and if his problems are effectively solved by the company through its products, services and marketing efforts, the consumer develops a positive attitude towards the company and its offerings.

4. **Direct Marketing:** Direct marketing efforts can provide customized solutions to the customers and can provide personalized attention and services to them. Unlike that in mass marketing, where individual customers cannot be focused upon, in direct marketing the company may think of designing customized schemes and offers for the customer. This direct interaction with the customer gives the marketer a better chance to understand the customer, his needs, problems, expectations, inhibitions and apprehensions. Thus a marketer is in a better position to design appropriate offers for the customer. Such personalized care and attention is likely to win over the customer and mould his attitude positively in favour of the company and its offerings.

5. **Mass Media:** Today mass media influences our thought process in a big way. Moreover mass media also has a strong impact on our lifestyle. It also has the ability of influencing our perception of the world around us. The opinion, information and knowledge that come to us from the mass media shape our thought process, assessment and evaluation of things, our actions and our behavior. Mass media provides the consumer an important source of information and evaluation criteria which influence the formation of his attitude towards various products, services and consumption objects.

6. **Social Media:** Social media has emerged as a very powerful media that provides not only information, knowledge and evaluation criteria but also provides scope of discussion amongst likeminded people and with experts and a platform for sharing ideas, views and opinions. The information, interaction, discussion and opinions on social media greatly influence the attitude and behavior of the consumer towards various offerings in the market.

7. **Personality Factors:** A consumer's personality is a determining factor in the formation of his attitude towards various things. A person with a high need for cognition will have a favourable attitude towards those products and services that satisfy his need for knowledge. He will exhibit a liking for those advertisements that provide detailed information, objective comparison and logical and rational reasons. On the other hand, a person who is low on cognition will be turned off by extensive bombardment of information. He would be attracted towards such products and services which look visibly appealing and will exhibit a liking for advertisements that

have melodious jingles, colourful themes, aesthetically appealing backgrounds and good looking models.

Check Your Progress-C

Q1. Explain the functions served by consumer attitude.

Q2. Give a detailed account of the factors that can influence the formation of consumer attitude.

Q3. Choose the correct alterative.

a) When a brand generates the power of self-expression, it serves the _____ function.

    a. Utilitarian

    b. Ego Expressive

    c. Value Expressive

    d. Knowledge

b) A consumer with a high need for cognition will be more attracted towards:

    a. Advertisements with extensive information and explanatory text

    b. Colourful advertisement copies

    c. Advertisement with good looking models

    d. Advertisements with pleasant music and beautiful background

c) Which of the following groups has a greater influence on a consumer's attitude:

      a. Primary Group

      b. Secondary Group

      c. Avoidance Group

      d. Disclaimant Group

Q4. Fill in the Blanks with appropriate word or words.

a) When a brand upholds and enhances the positive self-image of the consumer, it serves the _____ _____ function.

b) When a brand satisfies the consumer's need for information and knowledge, it serves the _____ function.

c) Attitude of a consumer can be influenced by _____ experience as well as by _____ experience.

10.10 SUMMARY

Attitude is a psychological construct. **It can be defined as "a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object"** (Schiffman & Kanuk, 1998).

Important things to understand about consumer attitude are:

Attitude is Learned: It implies that attitude is not innate but is acquired and learned. It may be learned through direct or indirect experience. Environment in which an individual grows and lives also contributes to learning that may shape his attitude.

Attitude is the Consumers' Predisposition: It is a predetermined way in which the consumer would react or respond to a given situation or object.

Attitude is Consistent: It implies that how a consumer would react, respond or behave to a given object or to a given type of situation remains fairly similar or uniform every time.

Attitude may Change: Attitude may be consistent, which implies that it may remain uniform for a fairly long period of time. However, it is not permanent and is subject to change.

Attitude is Object Oriented: It means that attitude of an individual is always in relation to an object in question. In other words, attitude is 'object' specific.

Importance of Understanding Consumer Attitude for a Marketer

Understanding consumer attitude helps the marketer in predicting how the consumers would respond to different marketing situation, predicting the consumers' response to different kinds of marketing stimuli and thus planning the marketing mix accordingly.

Components of Attitude

According to the tri component model of attitude, attitude consists of three components:

1. **The Cognitive Component:** Cognition refers to the process of thinking, which is the result of knowledge, perception and reasoning.

2. **The Affective Component:** The affective component consists of our emotions and feelings towards the object or related to the object.

3. **Conative Component:** Conative component refers to the likelihood and tendency of an individual to respond or behave in a certain way with respect to the attitude object.

Structural Models of Attitude

Besides the tri component model of attitude, there are two more models that help in understanding consumer attitude and formation of consumer attitude. These two models are:

1. **Attitude-Towards-Object Model:** According to this model of attitude, attitude of a consumer is the function of the presence or absence of certain product specific attributes and his object evaluation based on his beliefs about the attributes.

2. **Attitude-Towards-Behaviour Model**: This model talks about the attitude of the consumer towards behaving in a specific manner with regards to an object rather than the attitude towards the object per se.

Learning of Attitude

Learning of attitude can be explained through three of the learning theories: Classical Conditioning Theory, Instrumental Conditioning Theory and Cognitive Learning Theory.

1. **Classical Conditioning Theory:** The association of a new product with a favourably perceived brand name trains the consumer's mind to perceive and treat the new favourably. Similarly when an admired celebrity endorses a brand or a product, the consumer starts looking at the brand as an extension of the celebrity and his or her characteristics and virtues.

2. **Instrumental Conditioning Theory:** In case of a consumer, if he is rewarded in some way for using a product or brand and he receives a positive reinforcement, the consumer will develop a positive feeling and outlook for the product/brand.

3. **Cognitive Learning Theory:** In the arena of marketing, the active mental involvement of a consumer in evaluating products and brands results in the

development of favourable or unfavourable outlook for different brands/products evaluated by him.

Consumer Attitude and Functions Served

The attitude of the consumer can serve one of the four functions which are:

1. **Utilitarian Function:** A consumer exhibits a favourable attitude towards a product which has either served some utilitarian need for him in the past or which he believes will be of some practical use for him.

2. **Ego-Defensive Function:** If a brand or a product reassures and reaffirms him of his self-image and his self-worth, the consumer is likely to have a positive attitude towards the product.

3. **Value Expressive Function:** If a product or a brand helps the consumer to express the values he holds dear, the consumer is likely to develops a positive attitude towards it.

4. **Knowledge Function:** If a product is able to provide relevant, useful and usable information and knowledge to the consumers, they form a favourable attitude towards that product.

Factors Influencing Attitude Formation

The formation of consumer attitude is influenced by several factors like:

1. **Experience:** Besides the direct experience of the consumer, the experience that other people had with a brand or a product also affects the consumer's attitude towards it.

2. **Family and Friends:** As attitude is a function of values, beliefs, value system and learning all of which are shaped by the family, one of the most important factors that influence consumer attitude formation is the primary group consisting of family and friends.

3. **Marketing Efforts:** If the information sought by a consumer is satisfactorily provided to him and if his problems are effectively solved by the company through its products, services and marketing efforts, the consumer develops a positive attitude towards the company and its offerings.

4. **Direct Marketing:** In direct marketing a marketer is in a better position to design appropriate offers for the customer. Such personalized care and attention is likely to mould the customer's attitude positively in favour of the company and its offerings.

5. **Mass Media:** Mass media provides the consumer an important source of information and evaluation criteria which influence the formation of his attitude towards various products, services and consumption objects.

6. **Social Media:** The information, interaction, discussion and opinions on social media greatly influence the attitude and behavior of the consumer towards various offerings in the market.

7. **Personality Factors:** A consumer's personality is a determining factor in the formation of his attitude towards various things.

Besides these, factors like education, values and beliefs, environment, etc. also influence the formation of consumer attitude.

10.11 GLOSSARY

Attitude: Attitude is "a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object" (Schiffman & Kanuk, 1998).

Cognition refers to the process of thinking, which is the result of knowledge, perception and reasoning.

Affect: Affect refers to the emotions and feelings of an individual.

Conation: Conation means the desire or will of an individual to perform an action.

Cognitive Component: The cognitive component of attitude consists of the thinking process which contributes to the formation of attitude towards an object.

Affective Component: The affective component of attitude consists of our emotions and feelings towards the object or related to the object.

Conative Component: Conative component of attitude also known as the behavioural component refers to the likelihood and tendency of an individual to respond or behave in a certain way with respect to the attitude object.

Stimulus: Any input to any of the sensory organs is known as stimulus.

Response: The reaction of an individual to a stimulus is known as his response.

Utilitarian Function: Utilitarian Function refers to the practical use and utility of a product or an object.

Ego-Defensive Function: Ego-Defensive Function refers to that function of a product or an object that reaffirms an individual of his positive self-image and self-esteem and reinforces his self-worth.

Value Expressive Function: Value Expressive Function refers to that function of a product or an object that facilitates an individual's expression of his values.

Primary Group: An individual's primary group consists of those groups with which he is in regular touch and whose opinions and suggestions are most valued by him. Family is the best example of a primary group.

10.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. MCQs

   a) Ans: (b) Affective Component
   b)   (c) Attitude is consistent

Q5. Fill in the Blanks with appropriate word or words.

   a. Attitude is a <u>learned </u>predisposition to behave in a consistently favourable or unfavourable way with respect to a given object.

   b. Attitude is consistent but not <u>permanent</u>.

Check Your Progress –B

Q4. MCQs

   a) Ans: (c) Operant Conditioning Theory

   b) Ans: (c) Ivan Pavlov

Q4. Fill in the Blanks with appropriate word or words.

   a) According to the <u>Instrumental</u> <u>Conditioning</u> Theory consumer learning takes place through the trial and error process.

   b) According to the <u>Cognitive</u> <u>Learning</u> Theory active mental involvement in the evaluation of a brand helps in developing consumer attitude towards the brand.

   c) According to the <u>Attitude-Towards-Object</u> model, a consumer develops a favourable attitude towards a brand that exhibits adequate level of those attributes that the consumer believes to be positive.

Check Your Progress –C

Q3. MCQs

   a) Ans: (c) Value Expressive

b) Ans: (a) Advertisements with extensive information and explanatory text

c) Ans: (a) Primary Group

Q4. Fill in the Blanks with appropriate word or words.

a) When a brand upholds and enhances the positive self-image of the consumer, it serves the <u>ego-defensive</u> function.

b) When a brand satisfies the consumer's need for information and knowledge, it serves the <u>knowledge</u> function.

c) Attitude of a consumer can be influenced by <u>direct</u> experience as well as by <u>indirect</u> experience.

10.13 REFERENCES

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10.15 TERMINAL QUESTIONS

Q1. Enumerate and explain the components of attitude.

Q2. Explain how consumer attitude is learnt.

Q3. Discuss the factors influencing the formation of consumer attitude.

UNIT 11 CONSUMER ATTITUDE CHANGE

11.1 Introduction

11.2 Objectives

11.3 Defining Attitude & its Characteristics

11.4 Nature of Consumer Attitudes

11.5 Functions of Consumer Attitude

11.6 Sources of Attitude Formation

11.7 Theories and Structural Models of Attitude

11.8 Strategies for bringing a change in Consumer Attitude

11.9 Summary

11.10 Glossary

11.11 Answer to Check Your Progress

11.12 References

11.13 Suggested Readings

11.14 Terminal Questions

11.1 INTRODUCTION

As consumers, we all have our different set of attitudes towards everything that ranges from people to products and services, advertisements, e-mails, retail outlets etc. Whenever we are asked whether we like something or not we are being asked to freely express our attitudes. Within the domain of consumer behaviour, understanding the attitude of consumer holds great significance. For example, there has been a very rapid growth in the sales of ayurvedic products in India (especially products sold by Patanjali) in the recent past. This trend is seemingly linked to the change in attitude that Indians are expressing in appreciating the usefulness of ayurvedic products.

A key strategy for any marketer is to understand the attitude of consumer and positively try to change or re-orient it towards their products or services. As discussed above, we have all formed our attitudes towards different kinds of products and brands over the years with brands being particularly labelled as market leaders or market followers. Market leaders

constantly strive for reinforcing the already existing positive attitude. And market followers try to win over the customers of market leaders through their persuasive strategies. Changing the attitude of consumer is very difficult because he/she generally believes that it is the task of the marketer to do it.

In this unit we will be discussing about consumer attitudes, what it is and how it is formed, why understanding consumer attitude is indispensible for marketers, what are the methods and strategies marketers use to bring about change in consumer attitude etc.

11.2 OBJECTIVES

After going through this unit you will be in a position to:

- Better understand the importance of consumer attitude for marketers

- Explain how attitude is formed.

- Assess the usefulness of various models of attitude formation.

11.3 DEFINING ATTITUDE AND ITS CHARACTERISTICS

Various renowned authors, social psychologists and marketing experts do not agree on the precise definition of attitude. There have been more than thousand ways and definitions through which an attitude can be defined, however we will focus only on those simple ones which are easy to understand and relate with our daily lives. One definition holds that an – attitude is how positive or negative, favorable or unfavorable a person feels towards an object or a person or thing. This definition largely views attitude as a feeling or an evaluation reaction to different objects.

Another definition views attitude as "learned predispositions to respond to different objects or class of objects in a consistently favorable or unfavorable way". This is a bit complicated one than the previous definition as it incorporates the notion of readiness and eagerness to respond towards an object.

However, in the recent past theorists and experts of consumer behavior have given more attention to a new definition of attitude which has been able to garner a lot of interest in predicting the behavior of consumer. This definition explicitly treats attitudes as being multidimensional in nature, as opposed to the one-dimensional emphasis presided by other definitions. In this, a person's overall attitude towards an object is considered to be a function of – (1) strength of each of a number of beliefs the person holds about various aspects of the

object (2) the evaluation he /she gives to each belief as it relates to the object. *Belief* is largely construed as a probability a person attaches to a piece of information/knowledge being true.

This last definition has considerable appeal and importance because it has been shown that consumers perceive a product (object) as having many attributes and they form beliefs about each of these attributes. For example, a consumer may believe strongly that *Horlicks enegy drink* provides energy, gives vital supplements and nutrients, improves stamina, improves immunity and enhances body endurance. If a particular consumer is evaluating all these five attributes as favorable qualities, then according to the definition he/she would have a strongly favorable attitude towards the brand. On the other hand, a second consumer might believe just as strongly as the first one, but he /she may not evaluate all attributes as favorably as the first consumer does. Therefore, his/her overall attitude towards the brand would be less favorable.

11.3.1 CHARACTERISTICS OF ATTITUDE

Attitudes have several important characteristics or general properties, namely they (1) have an object (2) have direction, intensity and degree (3) they are structured (4) and attitudes are learned.

Attitudes have an object

By definition and by general nature, attitude must have an object. That is, they must have a focal point – whether it is an abstract concept or something tangible. The object can be a product, or an action. In addition, the object can be either an item, such as a person or a collection of items such as a social or reference group.

Attitudes have direction, degree and intensity

An attitude generally expresses the feeling of a consumer towards an object. It expresses (1) the direction – the person is either favorable or unfavorable towards, or for or against the object; (2) degree – how much the person either likes or dislikes the object; (3) and intensity – the level of sureness or confidence of expression about a particular object, or how strongly a person believes in his or her conviction. Although, these two terms degree and intensity might seem to have the same meaning, they are not synonymous.

The direction, degree and intensity of a person's attitude towards a product have been a tool that marketers use to estimate consumers readiness to act towards, or purchase the product. However it is important for the marketers to understand and appreciate the consumer attitude

vis-à-vis other attitudes taking into consideration the situational constraints – such as ability to pay, that might be acting as a inhibitor for a consumer to make a purchase decision.

Attitudes have structure

The structure of human attitudes is quite interesting to understand. At the center of this structure are the individual's important values and self-concept – Attitudes close to this hub of the system are believed to be high on the degree of their centrality. Attitudes located farther out in this structure possess less centrality.

Attitudes never stand alone in isolation. They are generally associated with each other to form a complex structure. This means that a certain degree of consistency must exist between them. There is a certain degree of congruency between them otherwise it will result in some kind of a conflict. Because attitudes are generally clustered into a structure, they show stability over the period of time. The duration and length of time may not be infinite, but it is generally far from being temporary in nature. Another important thing to consider is that, because attitudes are learned, they tend to become stronger and more resistant to change over the period of time. Thus, newly formed attitudes are easier to change and are less stable than the older ones of equal strength.

Attitudes are learned

Just as mastering a cricket stroke, hitting properly a tennis ball and tastes are learned, so are attitudes. They generally develop from our personal experiences as well as from information gathered from several sources that include our friends, family members and everyone else with whom we come in contact. Education and environment also plays an important role in forming or shaping the attitude of an individual. Thus, it is important to recognize that learning precedes attitude formation and change.

11.4 NATURE OF CONSUMER ATTITUDES

Attitudes tend to be generalizable. That is, a person's attitude towards a specific object usually generalizes towards a class of objects. Consumers tend to generalize their attitudes in such a manner which facilitates their decision making process. Another important nature of attitude is that they usually construct a kind of pattern that demonstrates consistency. Some deviations and changes are their but over the period of time consistency generally prevails.

Among all the attitudes in a person's attitudinal structure, some are more important or salient to him/her than others. For example a consumer might believe that buying products manufactured by our own country is more important than saving money. Therefore he/she will always try to buy those products which are manufactured within the country and will try to avoid foreign products. Generally speaking, understanding the nature of consumer attitude

helps the marketers in forming the basis for launching and developing new products, positioning and repositioning them, developing media and advertising campaigns and predicting general purchase behavior.

11.5 FUNCTIONS OF CONSUMER ATTITUDE

Attitudes generally serves four major functions for an individual. These functions are as follows –

- The adjustment function

- Ego-defensive function

- Value – Expressive function

- Knowledge function

The adjustment functions – The basic nature of the adjustment function is that it directs people towards pleasurable or rewarding objects and keeps them away from unpleasant and undesirable ones. It serves the utilitarian concept of maximizing reward and minimizing punishment. Thus, the attitudes of consumers depend to a large extent on their perception of what according to them is need satisfying and what is punishing in nature. Because consumers generally perceive products and services as need satisfying or unsatisfying experiences, it is imperative that we should expect their attitudes toward these objects to vary in relation to the experiences that have occurred.

Ego-defensive function – Attitudes that are formed to protect the ego or self image from threats help individuals fulfill the ego-defensive function. For example, a consumer who has made a poor purchase decision will try to strongly defend the decision as being correct or as being the result of poor advice given by another person. Such ego-defensive attitudes help consumers to protect their self image and they are generally unaware of them. Even if they are aware of them, they will not accept it.

Value- Expressive function – Whereas ego-defensive attitudes help an individual to protect his self-image, value expressive attitudes enable the expression of the person's centrally held values. Consumers adopt these attitudes in an effort to translate their values into something more tangible and easily expressed. Thus, a consumer who is conservative in nature might develop an unfavorable attitude towards certain category of products for which others may have a positive one.

Knowledge function – Human beings, out of need have developed an attitude of acquiring knowledge. In addition to this, the need to know generally tends to be specific. Therefore, an

individual who does not like playing cricket nor wish to will try to learn the sport, and it is unlikely that he will try to seek knowledge or understanding of the game. Thus, out of our need to gather knowledge come attitudes about what we believe we need to know or to understand.

Check Your Progress-A

Q1. Define attitude.

Q2. Which quality attitudes have as learned predispositions?

Q3. Fill in the blanks:

Attitudes show _____ in their behavior.

Q4. Which of the following is a function of attitude and Wh

a) **Stability b) Rigidity c) Adjustment**

11.6 SOURCES OF ATTITUDE FORMATION

What we have covered so far has enabled us to understand – what are attitudes, their characteristics and nature and the functions served by them. Now we will try to understand the various sources that help attitudes not only in their formation but also in getting a particular shape and structure. Here we will discuss about sources that make us aware of needs, their importance to us and how our attitudes are developed towards those objects that satisfy our needs.

Personal Experience

People remain in touch and come in contact with different objects on daily basis. Some are familiar to them while others are new. What we generally do is that we evaluate the new ones and reevaluate the old ones and in that process our attitudes are developed for different objects. It is our direct experience with the product, services and the store itself that helps us to create and shape our attitudes towards different objects. However, there are several factors that influence how we actually evaluate after having direct contact with the product or service. These are –

Needs – Individual needs differ from one person to another and also vary over time. People generally develop different attitudes towards the same object at different points of time.

Individual perception – People generally behave and operate on their personal interpretation of the reality. Therefore, the way people interpret information about products, services and stores affects their individual attitude towards them.

Personality – Another factor influencing the attitudes of individuals is their personality. The basic nature of the personality i.e. being introvert or extrovert, active or passive will affect people and the attitudes formed by them.

Groups and associations

It is human tendency to get affected by other members of the group (extent may vary from person to person) to which they belong. Our attitudes are strongly influenced by groups that we value and wish to associate ourselves. Several important groups and associations like family, work and peer groups impact our attitude development process.

Education and Environment

Another important factor contributing to the attitude formation process of individuals is the formal education which they have received and the environment in which they are living. Formal education that an individual receives from his/her school and college life plays a vital role in shaping up his/her attitudes towards objects. Equally important is the role of environment that surrounds an individual. In fact it holds so much significance that at times it can negate the effect of other sources like personal experience and education and supercedes everything.

Opinion leaders

Attitude of consumers are also formed and can be changed through personal contact those people who act as opinion leaders and influence the decision making of others. Opinion leaders are respected by their followers and may strongly influence the attitudes and purchase behaviors of those who follow them.

11.7 THEORIES AND STRUCTURAL MODELS OF ATTITUDE

Theories and structural models of attitude are concerned with how they develop and change over the period of time. Some of the more popular concepts and theories have been founded on the general notion that human mind continuously strives hard to maintain a harmony or consistency among the various attitudes perceived by it. Whenever the mind perceives an inconsistency within its attitude structure, tensions develop and that tension forces the structure to return back to its normal and consistent state. The three most common theories develop on this principle are congruity, balance and cognitive dissonance.

Congruity Theory

Congruency theory can be best understood by considering the following example – Suppose a consumer does not like a particular product, say an electric kettle. One fine day, he/she happens to meet someone who is like an opinion leader to him/her and that person says a lot of positive and good things about the product – electric kettle. In such a state of mind, the consumer will feel incongruent and that incongruency will create tension in his/her mind. The congruency model predicts that a person in such a situation would reduce his favorable attitude towards the opinion leader and also become more favorable towards electric kettle. The model also predicts a movement of two units of each attitude towards each other, because the consumer perceives both objects as being of equal strength but in opposite direction of zero neutral point.

Most of the time, this resulting equilibrium point is not determined so simply. Strong attitudes are very difficult to change than the weak ones. Thus the consumer's stronger positive attitude towards the opinion leader exerts greater pull on his weaker negative attitude towards the electric guitar. This idea suggests that when a consumer develops a strong dislike towards a particular product, marketing efforts of the company may not give desired results.

Balance Theory

According to this theory, every individual perceives his or her environment in terms of a triad. That means a person views him/her as being involved in a triangular relationship that comprises of three elements – person, ideas and things. All three elements either have a positive or negative relationship with each other. This relationship is being defined as ***sentiment.*** Unlike the congruity theory, there are no values which are assigned to express the degree of unity between elements. The model is termed as unbalanced if the multiplicative

relationships among the three elements is negative and is balanced if that relationship is positive.

Cognitive Dissonance

Cognitive Dissonance is generally been described as a psychological state that results when a person perceives two different cognitions (thoughts), both of which he/she believes to be true in nature but they don't fit together and are highly inconsistent. This resulting dissonance produces tension, which acts as a motivator for the person to bring harmony among inconsistent elements and reduce psychological tension. Dissonance generally arise in three basic ways – First is any kind of *logical inconsistency.* For example, all toffees are sweet, my toffee is sour. Second form of dissonance is created when a person experiences an inconsistency either between his attitude and behavior or between two of his/her behavior. For example, a person actively compliments Pepsodent toothpaste on many occasions and then purchases Colgate. This is an example of inconsistency between two behaviors. Third, dissonance can occur when a strongly held expectation is disconfirmed. For example, consumers generally expect to save money on year end fashion sale but finds only damaged and unstylish merchandise. In all three cases, the resulting dissonance is not automatic in nature. It is imperative for a person to perceive and experience inconsistency, otherwise no dissonance will occur.

A person experiencing dissonance has three ways to reduce it. They are (1) rationalization (2) seeking additional information that is consistent or supportive with their behavior, and (3) eliminating or changing some of the dissonant elements by suppressing or trying to forget them. each of these strategies may be used alone or in combination.

Multiattribute Models

In recent years, the relevance and adequacy of earlier attitude theories and concepts has come under question. The most important criticism about them has been the lack of attention given by authors and experts to the complexity of human thoughts and emotions and the resulting interaction of attitude components. In fact, the work of early researchers and authors employed only one component definition of attitude by focusing primarily on individual's overall feelings or reactions that are evaluative in nature towards different kinds of objects. Theories developed later, expanded on the view that attitudes have three major components: (1) *the cognitive component*, which talks about the individual's perception and knowledge about a particular thing or object; (2) *the affective component*, which describes and talks about individual's feeling and emotions about a particular object; (3) *the conative component,* that encompasses an individual's tendency to act in certain ways towards the object.

Unfortunately, marketers continue to employ measures that only focused on the affective component for determining an individual's overall evaluation of a particular object. As a result of which it became difficult to actually determine the basis of person's overall attitude

and to identify those reasons that can change this attitude. Rosenberg and Fishbein have pioneered new theories and models that have actually overcome many of the weaknesses of previous theories.

Fishbein's Attitude Model

Fishbein propounded that people form attitudes towards objects on the basis of their beliefs (perception and knowledge). Beliefs are in turn acquired by processing the information which an individual obtains from direct experiences with objects and from the communications received by him/her from other different sources. Therefore, for marketers to understand consumer's attitude, it is imperative for them to analyze and determine the beliefs that forms the basis of these attitudes. Because every object (be it a product), has various attributes, an individual will always process information and form beliefs about many of these specific attributes. Feelings, positive or negative are also formed on the basis of the beliefs held by these attributes. This model is been constructed so that a person's overall attitude towards a particular object can be derived from his feelings about various attributes of the object. Hence, this model is also referred as a *multiattribute* attitude model.

This model explicitly incorporates the cognitive (belief) and affective components of attitudes and also accounts for the strength or intensity of these elements. the model clearly tells us that to determine a person's overall attitude towards any object, it is necessary to determine and identify those beliefs that have the most propounding influence on his/her attitude. The most relevant beliefs called *salient* beliefs frequently do not exceed much in number.

11.8 STRATEGIES FOR BRINGING A CHANGE IN CONSUMER ATTITUDE

Although, there are several ways and methods that can be considered to bring a change in the attitude of consumers, one fundamental consideration that marketer's should focus upon is the degree of involvement that consumers have or experience with the product. On the basis of this involvement, there are two basic types of strategies – **Low involvement strategies and High Involvement strategies**.

Low Involvement Strategies

Low involvement strategies or conditions are basically those conditions in which the consumers are not that much interested to spend time thinking over products or services and evaluating them in a rational and logical manner. In such a situation, it is quite difficult and generally unproductive for the marketer and companies to design advertising campaigns and marketing communications that can be used by consumers to change or modify their beliefs about a particular product or brand. In such a situation, marketers must understand that consumer's attitude can be changed (potentially) only by providing him/her relevant cues that can act as stimuli in the advertisement itself or as a part of some other communication message used by the consumer. Consequently, one potentially sound and meaningful strategy

may be to try to change consumer attitude by using relevant peripheral cues that can motivate consumers to have positive and favorable reactions towards the advertisements used to promote the products or brands.

Besides this, some other strategies that can be used by marketers are –

- **Linking the product or service to an involving issue** – Issues are generally more involving than products themselves. This linkage can significantly increase the involvement of consumer with the product. For example – linking a product like toothpaste with problems like oral infections and bad breath to happen if you are not using that toothpaste.

- **Link the product to a personal situation of a consumer in which he or she might presently be in –** There are certain occasions, in which a message can be targeted to the consumers when they are engaged in an activity related to the usefulness of the product. For example – a company may launch an on-air campaign (radio-advertisements) for products like sun scream lotion during the midday hours of weekends.

- **Change the importance of product benefits –** This strategy is a bit difficult to pursue because it involves a direct attack on the consumers perception of benefits related to a product. For example – if a consumer can be made realized of the fact that a particular ingredient, let us say fiber content is very essential in a bread, he/she may become selective in his/her choice towards different brands of bread.

- **Introduce and advertise some other product characteristics** - Marketers can try to associate new attributes with a product and advertise it extensively to communicate to the consumers that some favorable attributes have been an important characteristics of the product for a long time. This strategy certainly has a huge potential of involving consumers with the product. The absence of fat and sugar and addition of additional vitamins and minerals in a particular soft drink will certainly catch the interest of the consumers because of their inherent implications towards their health.

High Involvement Strategies

There are many strategies that are available under high involvement conditions but, before implementing such strategies, marketers must be clear on the point whether they are attempting to change consumer attitude about a particular product or brand or whether they are targeting to change the consumer attitude about behavior towards the brand. Since, consumer attitudes about behaving towards a brand are more closely related with their intentions to purchase, therefore we will focus on attitude towards behavior in our following discussion.

- **Changing existing beliefs about the resulting consequences of a particular buying decisions –** There are several times when consumers generally hold incomplete or incorrect beliefs about the resulting consequences of purchasing a particular product

or using a specific brand. Modifications and bringing a change in such beliefs can increase their intentions to purchase this can be achieved by way of using advertisements that are focused on existing brand beliefs. The general premise should be that a consumer must realize that buying a certain kind of product will give beneficial results.

- **Changing consumer's evaluation of the consequences of a particular buying action –** In majority of the cases, consumer's may believe that using a particular product or a specific brand will lead to some consequences which are not evaluated very positively by him or her. For example – an advertisement for a product like *hit* – which is a mosquito repellant, stresses the fact that it will kill mosquitoes and have a soothing and pleasant smell. Potential results will reinforce the fact and will have positive evaluation by the consumer towards the brand.

- **By introducing new evaluation combinations –** In majority of the cases, marketers can add or delete certain product features and try to generate positive sentiments and resulting consequences for the consumer. In several other cases, the presence or absence of existing product attributes can be stressed for favorable consequences for the consumer. An example of the former one could be the case of addition of fluoristat – a fluoride component, to Listerine mouthwash that is quite helpful in preventing tooth decay. Example of the latter one could be the case of reduction in the amount of caffeine used by a coffee brand as an ingredient.

- **By trying to change existing normative beliefs –** In several situations, consumer may hold favorable attitude towards certain behaviors but is reluctant and hesitant to take some action on it because of the fear of social disapproval and unfavorable reaction on the subjective norm component. Such situations generally occur when consumers hold a belief that people who are important to him/her will not react in a positive manner to the action taken by him/her. For example – promotional campaigns and advertisements may stimulate a particular consumer to purchase a specific product or brand but the consumer is reluctant to buy it because of the fear that it may lead to disapproval by those who are close to him/her.

- **Change motivations of consumers to comply with subjective norms –** This can be achieved by marketers by either diminishing or increasing the perceived importance consumers give to other influential ones. For example – advertisements for a particular brand emphasizing the importance of being an individual and holding your own view point is more important rather than heeding the opinions of friends and other important ones. By doing this, marketers try to communicate the message to consumers to behold and stand for their individuality rather than following others and accepting view points of others and seeking guidance from them.

- **By introducing new normative components –** To a certain extent, subjective norms can also be influenced by the introduction or addition of new normative components which will have a strong influence on the minds of the consumer. This is achieved by

marketers by introducing additional individuals whom consumer gives due importance, or by additional norms that a consumer might think are important to be included. Advertisements demonstrating how family members, friends and other important people react to a purchase decision made by the consumer.

Various strategies that we have studies so far under the headings of low involvement and high involvement ones suggest that there are various ways through which attitudinal change can be brought in the consumers. Selection and execution of all these strategies is subjective to and affected by competitive environment, existing conditions of the consumers, their knowledge and beliefs, characteristics of the products and their inherent features etc. over the period of years, it has been observed by marketers that it is comparatively easier to change the intensity of attitudes rather than to change their direction. Related to this is the fact that weakly held attitudes are even easier to change than the ones which are strongly held. The strength of attitudes comes from different sources. One of the fore most amongst them is the belief held by the consumer. The more confident a consumer is about his/her beliefs, the more difficult it is for the marketers to change them. Second important factor is the degree of involvement a consumer has with a particular product or brand. Greater involvement reflects more personal relevance of the product or brand to the consumer.

Check Your Progress-B

Q1. What are the three important components of consumer attitude formation?

Q2. Cognitive component is related to consumer's _____

Q3. Affective component is all about consumer's _____

Q4. What is the actual meaning of cognitive dissonance?

11.9 SUMMARY

Changing a consumer's attitude towards a product, service or brand is a marketer's Holy Grail. Three attitude change strategies include: changing affect, changing behavior, and changing belief. Changing beliefs is the most difficult of the three. A marketer can leverage several approaches to changing a consumer's beliefs about a product. Four common approaches include: change current held beliefs, change the importance of beliefs, add beliefs, and change ideal. Changing beliefs is sometimes a necessary, for example, when a mature product is to be reintroduced into the market.

Consumer behavior is the study of how a consumer thinks, feels, and selects between competing products. Moreover, the study of attitudes is critical to understanding the motivation and decision strategies employed by consumers. The combination of beliefs, attitudes, and behaviors influence how a consumer reacts to a product or service. Marketers develop relative, compelling marketing messages using the same combination of information, and ultimately influence consumer behavior.

A key strategy for any marketer is to understand the attitude of consumer and positively try to change or re-orient it towards their products or services. We have all formed our attitudes towards different kinds of products and brands over the years with products and brands being symbolically stereotyped as market leaders or market followers. Market leaders constantly strive for reinforcing the already existing positive attitude. And market followers try to win over the customers of market leaders through their persuasive strategies. Changing the attitude of consumer is very difficult because he/she generally believes that it is the task of the marketer to do it.

11.10 GLOSSARY

Attitude - Attitude is generally defined as a predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation. Attitude influences an individual's choice of action, and responses to challenges, incentives, and rewards (together called stimuli).

Beliefs - Belief is the state of mind in which a person thinks something to be the case, with or without there being empirical evidence to prove that something is the case with factual certainty. Another way of defining belief sees it as a mental representation of an attitude positively oriented towards the likelihood of something being   true.

Affect - Consumers feelings toward different brands or other objects.

Behavioral Intention. The behavioral intention means what the consumer is planning to do with the object (e.g., buy or not buy a product).

Cognitive Component - Knowledge and perceptions that a consumer acquires by a combination of direct experience with the attitude object and related information from various sources. The knowledge and the perceptions that results from it commonly take the form of beliefs; that is, the consumer believes that the attitude object possesses various attributes and that specific behavior will lead to specific outcomes.

Affective Component - Consumer's emotions or feelings about a particular product or brand constitute the affective component of attitude. These emotions and feelings are generally construed by consumer researchers as primarily evaluative in nature; that is they try to capture an individual's direct or indirect assessment of a particular attitude object.

Conative Component – Consumer's intention or likelihood towards a particular product. It usually means the actual behaviour of the person or his intention, to undertake a specific action or behave in a particular way with regard to the attitude object.

11.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Ans.2. Motivation
Ans.3. Consistency
Ans.4. Stability

Check Your Progress –B

Ans.1. Beliefs, Affect and Behavioral Intentions

Ans.2. Knowledge and Perception

Ans.3. Feelings

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11.14 TERMINAL QUESTIONS

Q1.   Changing consumer attitude and reorienting it towards your product or brand is quite a difficult task. It takes significant amount of efforts by companies and

marketers, over the period of years to position a particular product in the minds of the consumer and then to change it for some another brand is a tedious job.

Explain some of the methods and strategies used by companies and marketers to change and reorient the attitude of consumer for their product/brand.

Q2. Marketing Environment and Business Conditions have changed a lot in the recent past. Companies find it extremely difficult to cater to the changing tastes and preferences of the consumer. Adding further woes to it is the fact that the shelf life of the product in today's scenario has shortened to a considerable extent.

In the light of the above information, describe in detail the usefulness of understanding and analyzing consumer behavior and attitude for marketers in this changing landscape of increased competition and decreased shelf life of products.

Q3. Several researchers and authors in the field of consumer behavior have given and postulated models of understanding consumer attitude. With the help of these models, they have tried to explain and narrate fundamental concepts of consumer attitude – its formation and ways of changing it in a much simpler and refined manner. Apart from these models, there have been some theories which have been written and presented for the aid of business organizations and marketers to understand the process of consumer attitude formation in a simpler way.

Explain the various theories and models of consumer attitude with the help of relevant examples.

Q4. Fishbein model put a lot of emphasis on the cognitive, conative and affective components and say that understanding of these is important for analyzing consumer attitude.

Explain the fishbein model of consumer attitude formation, clearly mentioning the usefulness of all the three components - cognitive, affective and conative in detail.

UNIT 12 PSYCHOLOGICAL INFLUENCES ON CONSUMER BEHAVIOR

12.1 INTRODUCTION

We as a whole are shoppers, all the time we purchase and utilize numerous items as per our prerequisite and our need, needs, inclinations, and obtaining power. What we purchase, how we purchase, when we purchase, from where we purchase, in what amount we purchase relies upon different elements like our needs, inclinations, convictions, values, inspiration, discernment, state of mind, identity, age, sex, family, social and social foundation, and numerous other and main considerations. These elements decide our customer conduct.

Shopper conduct is an unpredictable and dynamic choice process; and physical movement of assessing, procuring, utilizing, or discarding items and administrations. Building up a compelling advertising methodology requires in-depth learning of target buyers and how they act and settle on their purchasing choice. Legitimate investigation of purchaser conduct is essential as all promoting choices depend on suspicions about shopper conduct. Purchaser conduct alludes to the activities of buyers in the commercial center and the hidden thought processes in those activities. Advertisers expect that by understanding what makes shoppers purchase specific merchandise and enterprises they will have the capacity to figure out which items are required in the commercial center, which are ancient, and how best to exhibit the products to the customers.

Customer conduct alludes to the conduct that buyers show in hunting down, obtaining, utilizing, assessing and discarding items and administrations that they expect will fulfill their necessities. The investigation of shopper conduct is the fundamentally an investigation of how

individuals settle on choices to invest their current assets like energy, cash and exertion on utilization related things.

In this unit, you will learn about Psychological Influences on Consumer Behavior.

12.2 LEARNING OBJECTIVES

After reading this unit , you will be able to;

- To know about consumer behavior
- Understand about the psychological factors affect consumer behavior
- Implication about all psychological factor on market.

12.3 PSYCHOLOGICAL FACTORS AFFECTING CONSUMER BEHAVIOR

A purchaser's decisions are likewise impacted by four mental elements, i.e. motivation, perception, learning, and beliefs and attitudes.

12.3.1 MOTIVATION

Motivation is characterized as the drive to fulfill a need. A few thought processes are socially learned and others are natural. Numerous thought processes are oblivious however dynamic in that they impact ordinary purchasing conduct.

Numerous speculations of inspiration have been created to clarify why buyers carry on in certain ways.

Maslow Need Hierarchy Theory

In the mid-1900s, Abraham Maslow, an American psychologist, developed the hierarchy of needs shown in figure below:

Fig 12.1 Maslow Need Hierarchy Theory

1) Physiological needs- These needs are the basic needs such as food, water, sleep, warmth.

2) Safety needs- People need to feel safe in a particular environment.

3) Social needs-Human beings want to be loved and to be accepted by others. They want to attend groups, unions and contact with others.

4) Esteem needs- People want to be admired and respected.

5) Self-actualization needs- People who have all other needs below the pyramid want more and more. These needs show how you regard yourself and how you are regarded.

Marketing Implications of Maslow's Theory

Maslow set that human conduct and basic leadership are propelled by one of the five need levels in his progressive system. Connected to showcasing hypothesis, your capacity to successfully interest one of these motivational drivers is a key determinant of your potential achievement. Trivial administrations - rub medicines or custom fitting, for instance - might be advertised effectively to those in the fourth or fifth level of Maslow's progressive system on the grounds that those individuals are driven by the requirements for expanded confidence and

understanding their maximum capacity. A similar advertising effort is probably not going to speak to those on the primary level, as they are driven by the most fundamental of human needs: nourishment, water and different components of survival.

Herzberg Two Factor Theory of Motivation

Herzberg (1966), in his Work and Nature-of Man, built up the "Two Factor Theory of Motivation" where he recognized satisfiers (factors that make fulfillment) and dissatisfiers (factors that make disappointment). Today, many cars organizations are contending on the premise of guarantee. While the nonappearance of guarantee would be a dissatisfiers, its essence is not a satisfier since it is not one of the main explanations behind purchasing the item.

Advertisers ought to know about the dissatisfiers, which, while they won't without anyone else's input offer the item, can undoubtedly "unsell" it. Additionally, they ought to distinguish and comprehend in points of interest the different satisfiers and afterward focus after providing them and stressing them in the promoting program.

12.3.2 THE CONSUMER'S PERCEPTION

The expression "Perception" can be characterized as the capacity to determine meaning. Gotten from "see", it alludes to the capacity of offering significance to whatever is detected by our sense organs. It is the procedure through which an individual translates ones' tactile impressions to offer significance to them. Schiffman characterizes it as "the procedure by which an individual chooses, arranges, and translates jolts into an important and intelligible photo of the world."

Observation is the procedure by which people select, sort out, and translate boosts into an important and intelligible photo of the world. Recognition has methodology suggestions for advertisers since shoppers settle on choices in view of what they see as opposed to on the premise of target reality.

Client recognition alludes to the procedure by which a client chooses, sorts out, and deciphers data/jolts contributions to make a significant photo of the brand or the item. It is a three phase process that makes an interpretation of crude boosts into important data.

Consumers today are bombarded with all types of marketing from every angle—television, radio, magazines, the Internet, and even bathroom walls. It's been estimated that the average consumer is exposed to about three thousand advertisements per day.Kalle Lasn, Culture Jam:

The Uncooling of America (New York: William Morrow & Company, 1999). Consumers are also multitasking more today than in the past. They are surfing the Internet, watching television, and checking their cell phones for text messages simultaneously. All day, every day, we are receiving information. Some, but not all, of it makes it into our brains

12.3.3 CONSUMER LEARNING

Learning Alludes To The Procedure By Which Purchasers Change Their Conduct After They Pick Up Data Or Experience An Item. It's The Reason You Don't Purchase A Crummy Item Twice. Learning Doesn't Simply Influence What You Purchase, Be That As It May. It Influences How You Shop. Individuals With Restricted Understanding About An Item Or Brand For The Most Part Search Out More Data About It Than Individuals Who Have Utilized It Some Time Recently.

Organizations Endeavor To Inspire Purchasers To Find Out About Their Items In Various Ways. Auto Dealerships Offer Test Drives. Pharmaceutical Reps Abandon Loads Of Free Things At Specialist's Workplaces With Prescription Names And Logos Composed All Finished Them—Pens, Espresso Glasses, Magnets, Et Cetera. Free Specimens Of Items That Come Via The Post Office Or Are Conveyed With Daily Papers Are Another Case. To Advance Its New Line Of Espressos', Offered Clients Free Specimens To Attempt.

Another Sort Of Learning Is Operant Molding, Which Is The Thing That Happens When Analysts Can Get A Mouse To Gone Through A Labyrinth For A Piece Cheddar Or A Puppy To Salivate Just By Ringing A Chime. Organizations Take Part In Operant Molding By Compensating Buyers, As Well. The Prizes That Come In Cracker Jacks And With Mcdonald's Happy Meals Are Cases.

The Prizes Make Shoppers Need To Rehash Their Acquiring Practices. Different Prizes Incorporate Free Tans Offered With Exercise Center Enrollments, Punch Cards That Give You A Free Subway Sandwich After A Specific Number Of Buys, And Free Auto Washes When You Top Off Your Auto With A Tank Of Gas.

12.3.4 CONSUMER'S BELIEFS AND ATTITUDES

States of mind are "mental positions" or passionate sentiments individuals have about items, administrations, organizations, thoughts, issues, or institutions."Dictionary of Marketing Terms". Demeanors have a tendency to be persisting, and on the grounds that they depend on individuals' esteems and convictions, they are difficult to change. That doesn't prevent merchants from attempting, however. They need individuals to have positive as opposed to negative sentiments about their offerings.

What customers accept about a vender, item or administration influences whether and what they purchase. These states of mind can persevere notwithstanding when the circumstances that create them change. In the event that an organization seems to share your qualities, it might pull in your business. On the off chance that you see an item as advantageous or its opposition as destructive, you advance toward one and keep away from the other. Promoting endeavors to position items so they show up related with positive attributes and to neutralize convictions that meddle with the items' capacity to draw in purchasers.

Check Your Progress-A

Q1. Discuss Maslow Need Hierarchy Theory in context to consumer behaviour.

Q2. What do you mean by the Consumer's Perception?

Q3. What do you mean by Consumer Learning ?

Q4. Write a note on Consumer's Beliefs and Attitudes.

12.4 SUMMARY

A purchaser's decisions are likewise impacted by four mental elements, i.e. motivation, perception, learning, and beliefs and attitudes. Customer conduct alludes to the conduct that buyers show in hunting down, obtaining, utilizing, assessing and discarding items and administrations that they expect will fulfill their necessities. The investigation of shopper conduct is the fundamentally an investigation of how individuals settle on choices to invest their current assets like energy, cash and exertion on utilization related things.

In this unit, you will learn about various aspects gives insights about Psychological Influences on Consumer Behavior.

12.5 GLOSSARY

Motivation-Motivation is characterized as the drive to fulfill a need.

Physiological needs- These needs are the basic needs such as food, water, sleep, warmth.

Safety needs- People need to feel safe in a particular environment.

Social needs-Human beings want to be loved and to be accepted by others. They want to attend groups, unions and contact with others.

Esteem needs- People want to be admired and respected.

Self-actualization needs- People who have all other needs below the pyramid want more and more. These needs show how you regard yourself and how you are regarded.

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12.8 TERMINAL QUESTIONS

Q1. What is the meaning of psychological factor.

Q2. Explain the various psychological factors that affect consumer behavior.

Q3. Explain any one of the theory of motivation in detail with the help of suitable example.

Q4. Explain the Learn-Feel-Do Hierarchy Model and suggest implications for the marketer.

Q5. What important factors influence consumer perception?

Q6. How can level of involvement influence the effectiveness of advertisement?

Q7. Discuss innate and acquired needs of consumers.

Q8. Explain relationship between attitude and behavior.

MS-503 (PART-II)

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Consumer Behaviour

UTTARAKHAND OPEN UNIVERSITY
Teenpani Bypass road, Behind Transport Nagar, Haldwani
Haldwani -263139, Nainital (Uttarakhand)
Phone : 05946-261122, 261123 Fax No. - 05946-264232
www.uou.ac.in   e-mail:- info@uou.ac.in
Toll Free No. - 1800 180 4025

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Amrapali Group of Institutes
Haldwani

Dr. Vaishali Agarwal   20, 22, 23
Associate Professor   & 24
 Indus Business Academy, Bangalore

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Course Contents
Course Name: Consumer Behaviour
Course Code-MS 503

Course Objective: The basic objective of this course is to develop an understanding about the consumer decision making process and its applications in marketing function of firms.

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Unit II Consumer Behavior and Marketing Strategy

Unit III Consumer Behavior, Marketing Strategy and Market Segmentation

Unit IV Consumer Research: Types and Process

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Unit XXI Consumer Decision Process

Unit XXII CRM and e-CRM

Unit XXIII Developing CRM Strategy

Unit XXIV CRM Building: Infrastructure, Information Process and Technology

Suggested Readings:

1. Leon G. Schiffman, Leslie Lazar Kanuk, "Consumer Behaviour", Pearson Education, New Delhi, 2002.

2. David L.Loudon, Albert J Della Bitta, "Consumer Behaviour", McGraw Hill, New Delhi 2002.

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Block – III
External Determinant of Consumer Behaviour

UNIT 13 SOCIAL CLASS INFLUENCES AND CONSUMER BEHAVIOUR

13.1 INTRODUCTION

The central idea of marketing is to meet the needs and wants of target customers' and satisfy better than competitors. Marketers must have a thorough understanding of how consumers think, feel, and act and offer clear value to each and every target consumer.

 Companies should connect with their customers in order to do successful marketing. Adopting a complete marketing orientation means understanding customers and gaining a full

view of both their everyday lives and the changes that occur in due course of their lifetime so that the right products are always marketed to the right customers in the right way.

13.2 OBJECTIVES

The objectives of this unit are to enable you:

- To understand consumer behaviour
- To know the determinants of Consumer behaviour
- The psychological processes of Consumer behaviour
- The purchase decision Process
- Indian Consumer Environment

13.3 MEANING OF CONSUMER BEHAVIOUR

Consumer behavior can be defined as the study of how groups, individuals, and organizations, select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.
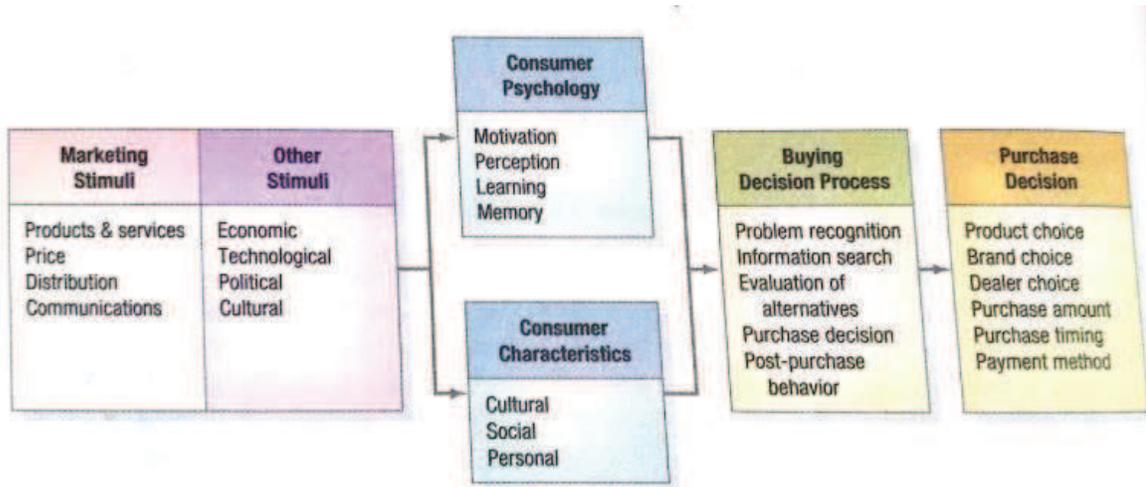
Fig 13.1: Model of Consumer Behaviour

Source: Philip Kotler, Kevin Lane Keller , Marketing Management,12 edition, Pearson education

Marketers should understand both the theory and actuality of consumer behavior.

13.4 THE MAJOR DETERMINANTS OF CONSUMER BEHAVIOR

13.4.1 CULTURAL FACTORS

Culture, subculture, and social class are most specifically significant influences on consumer buying behavior.

Culture is the basic determinant of a person's wants and behavior.

Each culture is a set of smaller subcultures that offer more particular identification and socialization for their members.

- Subcultures consist of religions, nationalities, racial groups and geographic regions.

- Social stratification is exhibited by all human societies which take the form of social classes, relatively homogeneous and enduring divisions in a society, hierarchically ordered and with members who share similar interests, values, and behavior.

- Indian marketers use a term called socio-economic classification (SEC), which uses a combination of the education and occupation of the chief wage earner of the household to classify buyers in the urban areas. This classifies all the urban households into eight broad categories, namely, A1, A2, B1, B2, C, D, E1, and E2; with A1 signifying the highest purchase potential and E2 signifying the lowest. For the rural areas, the system uses the occupation of the chief wage earner of the household and the type of house to classify households into four broad categories from R1 to R4 in the descending order of purchase potential.

- Members of Social classes show individual product and brand preferences in many areas including home furnishings, clothing, leisure activities, and automobiles.

13.4.2 SOCIAL FACTORS

Social factors such as reference groups, family, social roles and statuses affect the buying behavior of the consumer.

- Reference groups are all the groups that have a direct (face-to-face) or indirect influence on the attitudes or behavior of the person.
- Membership groups are the groups that are having a direct influence on the consumer.
- Some membership groups are primary groups such as family, friends, neighbors, and co-workers with whom the person interacts fairly continuously and informally.
- Some membership groups are secondary groups such as religious, professional groups that tend to be more formal.
- All the above groups influence the buying decisions of consumers in any of the areas:
- The product or brands have been used by them earlier.

- Since it has been used by them earlier they know what the product is all about. They have total knowledge about the features and specifications of the product.
- Jhansi wanted to purchase a LED TV. She enquired all her friends and bought a Sony LED because all her friends were using and were quite satisfied with the product. The reason is that we like to pick up products our friends recommend.
- Family plays an important role in influencing the buying decisions of individuals.
- Married individuals would show strong preference towards buying products which would help not only them but also their family members as compared to bachelors.
- A consumer who has a wife and child at home would like to buy for them rather than spending on himself. A person entering into married life would be more interested in buying a house, car, household items,furniture and so on. When a person gets married and starts a family, most of his buying decisions are taken by the entire family.
- Each individual goes through the following stages and shows a different buying need in each stage
- Bachelorhood: This is a stage in lifecycle where a person spends lavishly and purchases products for himself/herself.
- Newly Married: Newly married couples spend more on buying household furnishings, tend to purchase a new house, car etc.
- Family with Children: These types of family purchase products to secure their family's future.
- Empty nest (Children getting married)/Retirement/Old Age: In this stage of lifecycle people buy more medicines, health products, and necessary items.
- A new model car (for example Ford Figo) in the neighborhood would prompt some more families to buy the same model.
- Reference groups expose an individual to new behaviors and lifestyles, influencing attitudes and self-concept. Generally   reference group influence will be strong on consumers and marketers must determine how to reach and persuade the reference groups. Each group has a opinion leader who influences the members. An opinion leader is the person, whom the people take them as idols when making any purchase decisions and try to relate them to their behaviors. Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at opinion leaders. They offer advice or information about a specific product or product category.
- For example in villages, generally the opinion leaders will be postmasters or head masters. Apart from reference groups there are also other groups by which people are influenced.
    - Aspiration groups are those groups which a person hopes to join. For example every teacher wants to be a member in Teachers Association recognized by the government.
    - Dissociative groups are those groups whose principles or activities an individual discards and don't like to be a member in those groups. For example, no student wants to be in a group of bad friends.

13.4.2.1 Family

The family is regarded as the most significant consumer-buying group in the society and family members comprise the most powerful primary reference group. Every individual during their lifetime belongs to two families. The family of orientation which consists of one's parents and siblings and the other family of procreation which consists of the person's spouse and children

A) For costly products and services, the huge majority of husbands and wives engage in joint decision making.

B) Men and women respond in their own way to different marketing messages.

13.4.2.2 Roles and Status

- People participate in many groups. One can define a person's position in each group in terms of role and status. Role denotes the responsibilities and duties discharged by the person. For example a teacher, a lecturer or a professor teaches students.

- Each role connotes a status. For example the status of a teacher, lecturer and a professor is different in the society.

- Marketers must be conscious of the status-symbol potential of products and brands.

13.4.3 PERSONAL FACTORS

Personal characteristics that persuade a buyer's decision include age and stage in the life cycle; occupation and economic circumstances; personality and self-concept; and lifestyle and values.

13.4.3.1 Age and Stage in the Life Cycle

- Age and stage in the lifecycle is a major influencing factor in the decision making. Consumption is as well shaped by the family-life cycle, gender and age of people in the household at any point of time.

- When young people are more in the family they tend to be more interested in gizmos and often spend money on buying them. In addition to this, psychological life-cycles also matter.

13.4.3.2 Occupation and Economic Circumstances

- Occupation influences consumption pattern and economic circumstances influences product and brand choice likelihood. Attitudes toward spending and saving, borrowing power, savings and assets, debts and disposable income also influence buying decision.

13.4.3.3 Personality and Self-Concept

Each person tends to have personality characteristics that influence his or her buying behavior.

Personality can be defined as a set of unique human psychological characters that lead to relatively reliable and lasting responses to environmental stimuli.

Consumers are likely to choose those brands whose brand personalities match their own.

Brand personality can be described as the specific mix of human traits that can be attributed to a particular brand. Jennifer Aaker identified the following five traits.

- Sincerity (down-to-earth)

- Competence (reliable)

- Excitement (daring)

- Sophistication (upper-class)

- Ruggedness (outdoorsy)

  o Consumers often choose and use brands with a brand personality consistent with their actual self-concept (how we view ourselves).

  o Although in some cases, the match may instead be based on the consumer's ideal self-concept (how we would like to view ourselves).

  o Others self-concept (how we think others see us).

13.4.3.4 Lifestyles and Values

Different lifestyles of people can be attributed to the same subculture, social class, and occupation etc.

  o A lifestyle is a person's pattern of living in the world as expressed in activities, interests, and opinions (AIOs). It portrays the "whole person" interacting with his or her environment.
  o Marketers search for relationships between their products and lifestyle groups.
  o Lifestyle is a person's pattern of living in the world as expressed in activities, interests, and opinions.
  o Even lifestyles are shaped partly by whether consumers are money-constrained or time-constrained.
  o Consumers who experience time famine are prone to multitasking, doing two or more things at the same time.

13.5 KEY PSYCHOLOGICAL PROCESSES

The understanding of consumer behavior will start with the stimulus-response model. The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions. Let we have a look at psychological processes::

13.5.1 MOTIVATION

The various motivational theories which underlie consumer behavior are;

13.5.1.1 Freud Theory

13.5.1.2 Maslow Need Hierarchy Theory

13.5.1.3 Herzberg Theory

All of us will have many needs at any given point time and some needs are as follows :

A) Biogenic (arise from physiological states of tension such as hunger).

B) Others are psychogenic and arise from a need for recognition, esteem, or belonging.

C) A need becomes a motive when it is aroused to a sufficient level of intensity to drive us to act.

13.5.1.1 Freud's Theory

- ▪ The psychological forces shaping people's behavior are largely unconscious, and that a person cannot fully understand his or her own motivations as assumed by Sigmund Freud.
- ▪ Through A technique called laddering, one can trace a person's motivations from the stated instrumental ones to the more terminal ones.
- ▪ Motivation researchers often collect "in-depth interviews" to uncover deeper motives triggered by a product.
- ▪ The Projective techniques such as word association, picture interpretation, sentence completion, and role-playing are also used.

13.5.1.2 Maslow's Need Hierarchy Theory

Abraham Maslow sought to explain why people are driven by particular needs at particular times.   The understanding of this theory :::

A) Maslow's answer is that human needs are arranged in a hierarchy from most to least pressing

B) In order of importance, they are:

1) Physiological needs

2) Safety needs

3) Social needs

4) Esteem needs

5) Self-actualization needs

13.5.1.3 Herzberg's Theory

Frederick Herzberg developed a two-factor theory that distinguishes dissatisfiers (factors that cause dissatisfaction) from satisfiers (factors that cause satisfaction). The absence of dissatisfiers is not enough to motivate a purchase; satisfiers must be present.

A) Herzberg's theory has two implications:

1) Manufacturers/ Sellers should do their best to avoid dissatisfiers.

2) Manufacturers/ Sellers should identify the major satisfiers or motivators of purchase in the market and need to supply them.

13.5.2 Perception

A motivated person is ready to act and this depends on -- *how* influenced by his or her perception of the situation.

A) Perception is the process by which one will select, organize, and interpret information inputs to create a meaningful picture of the world.

B) Perception depends not only on physical stimuli, but also on the stimuli's relationship to the surrounding environment and on conditions within each of us.

- **Selective Attention**

Individuals cannot process everything that comes in front of them. Everything won't drag their attention at any point time. He will attend few and leave a few that means Attention is the allocation of processing capacity to only some stimulus.

It's estimated that the average person may be exposed to over 1,500 ads or brand communications a day. Because we cannot possibly attend to all these, we screen most stimuli out—a process called selective attention.

A) Selective attention is relevant for marketers wherein it helps them to work hard to attract consumers' notice. The following stimuli definitely drag the attention

1) People are more likely to notice stimuli that relates to a current need.

2) People are more likely to notice stimuli that they anticipate.

3) People are more likely to notice stimuli whose deviations are large in relation to the normal size of the stimuli.

- **Selective Distortion**

Selective distortion is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.

Examples of branded differences can be found in virtually every type of product. Selective distortion can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive.

- **Selective Retention**

It is quite common that most of us don't remember much of the information to which we're exposed, but we do retain information that supports our attitudes and beliefs.

Because of selective retention, we are likely to remember good points about a product we like and forget good points about competing products.

- **Subliminal Perception**

The selective perception mechanisms require consumers' active engagement and thought.

Subliminal perception, in which the marketers embed covert and/or subliminal messages in ads or packages and consumers are not consciously aware of these messages, but yet they affect their purchase behavior

13.5.3 Learning

Learning by the individual induces changes in our behavior arising from experience. Here it's important to understand the terms such as Drive, cues etc.,

A) A drive is a strong internal stimulus impelling action.

B) Cues are minor stimuli that determine when, where, and how a person responds.

C) Discrimination means that the person has learned to recognize differences in sets of similar stimuli and can adjust responses accordingly.

D) People have a general tendency to attribute success to themselves and failure to external causes which can be said as Hedonic bias.

- **Emotions**

It is observed that Consumer response is not all cognitive and rational; much may be emotional and invoke different kinds of feelings.

- **Memory**

Consumers remember or identify a Product through its Brand. More over they recollect the products through Brand associations which consist of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, and attitudes, linked to the brand node.

Cognitive psychologists distinguish between short-term memory (STM)—a temporary repository of information, and Long-term memory (LTM)—a more permanent repository

A) The associative network memory model views Long-term memory (LTM) as a set of nodes and links.

1) Nodes are stored information

2) Collected by links that vary in strength

Memory Processes

Memory is a very constructive process, because we don't remember information and events completely and accurately. Often we remember bits and pieces and fill in the rest of the information.

A) Memory encoding describes how and where information gets into memory.

B) In general, the more attention placed on the meaning of information during encoding, the stronger the resulting associations in memory will be.

Memory retrieval refers to how information gets out of memory when required.

Three facts are important about memory retrieval:

1. The presence of other product information in memory can produce interference effects.

2. The time between exposure to information and encoding has been shown generally to produce only gradual decay.

3. Information may be "available" in memory (potentially recallable) but may not be "accessible" (unable to be recalled) without the proper retrieval cues or reminders.

13.6 THE FIVE-STAGE MODEL OF THE BUYING DECISION PROCESS

The basic psychological processes play an important role in consumers' actual buying decisions.

Marketing scholars have developed a "stage model" of the buying-decision process.

The consumer passes through five stages:

1. Problem recognition
2. Information search
3. Evaluation of alternatives
4. Purchase decision
5. Post purchase behavior

1. Problem Recognition

A) The buying process starts when the buyer recognizes a problem or need.

B) The need can be triggered by internal otherwise external stimuli.

C) Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of consumers.

2. Information Search

Surprisingly, consumers often search for limited amounts of information.

A) An aroused consumer will be inclined to search for more information. We can distinguish between two types of arousal.

B) The milder state is called heightened attention where a person simply becomes more receptive to information about a product.

C) The second level is active information search where a person looks for reading material, going online, etc. to learn about the product.

Fig 13.2: Five-Stage Model of the Consumer Buying Process

Source: Philip Kotler, Kevin Lane Keller, 12 edition

- **Information Sources**

    1) Personal sources (Ex: family, friends)

    2) Commercial sources (Ex: advertising, Web sites, salespeople)

    3) Public sources (Ex: Mass media, consumer organizations)

    4) Experiential (handling, examining, using the product)

D) Generally speaking, consumers receive the greatest amount of information about a product from commercial sources.

E) The most effective information often comes from personal sources or public sources that are independent authorities.

- **Search Dynamics**

The consumer learns about competing brands and their features by gathering information.

A) Marketers need to identify the hierarchy of attributes that guide consumer decision making in order to understand different competitive forces and how these various sets get formed.

B) This process of identifying the hierarchy is called market partitioning.

C) The hierarchy of attributes also can reveal customer segments.

D) Buyers who first decide on price are price dominant; those who first decide on the type of car (sports, passenger, station wagon) are type dominant; those who choose the brand first are brand dominant.

E) Type/price/brand-dominant consumers make up one segment; quality/service/type

buyers make up another. Each may have distinct demographics, psychographics, and media graphics and different awareness, consideration, and choice sets.

F) The company must also identify the other brands in the consumer's choice set so that it can plan the appropriate competitive appeals.

G) In addition, marketers should identify the consumer's information sources and evaluate their relative importance.

3. Evaluation of Alternatives

The most current models see the consumer forming judgments largely on a conscious and rational basis. No single process is used by all consumers, or by one consumer in all buying situations.

A) First, the consumer is trying to satisfy a need.

B) Second, the consumer is looking for certain benefits from the product solution.

C) Third, the consumer sees each product as a bundle of attributes with varying abilities for delivering the benefits.

- **Beliefs and Attitudes**

Through experience and learning, people acquire beliefs and attitudes. These in turn influence buying behavior.

A) Belief —it is a descriptive thought that a person holds about something.

B) Attitude—it is a person's enduring favorable or unfavorable evaluation, emotional feeling, and action tendencies toward some object or idea.

C) Attitudes put people into a frame of mind.

D) Attitudes lead people to behave in a fairly consistent way toward similar objects.

E) Attitudes can be very difficult to change.

- **Expectancy-Value Model**

The consumer arrives at attitudes toward various brands through an attribute evaluation procedure, developing a set of beliefs about where each brand stands on each attribute.

The expectancy-value model of attitude formation discusses that consumers evaluate products and services by combining their brand beliefs—the positives and negatives—according to importance.

A) Most consumers consider several attributes in their purchase decisions.

- **Purchase Decision**

In the evaluation stage, the consumer forms preferences among the brands in the choice set and may also form an intention to buy the most preferred brand.

In executing a purchase intention, the consumer may make up to five sub-decisions:

A) Brand (brand A)

B) Dealer (dealer 2)

C) Quantity (one)

D) Timing (weekend)

F) Payment method (credit card)

- **Post-Purchase Behavior**

After the purchase, the consumer might experience dissonance about their purchase and be alert to information that supports their decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help him or her feel good about the brand.

A) Marketers must monitor post-purchase satisfaction, post-purchase actions, and post-purchase uses.

- **Post-Purchase Satisfaction**

Satisfaction is a function of the closeness between expectations and the product's perceived performance.

A) If the performance falls short of expectations the consumer is disappointed.

B) If the performance meets expectations the consumer is satisfied.

C) If the performance exceeds expectations the consumer is delighted.

- **Post-Purchase Actions**

Satisfaction or dissatisfaction with the product will influence subsequent behavior. A dissatisfied consumer may abandon or return the product.

- **Post-Purchase Use and Disposal**

Marketers should also monitor how buyers use and dispose of the product. A key driver of sales frequency is product consumption rate.

A) One potential opportunity to increase frequency of product use is when consumers' perceptions of their usage differ from reality.

B) Marketers also need to know how the consumer disposes of the product once it is used.

![✓] ***Check Your Progress-A***

Q1. What are the various determinants of Consumer behaviour?

Q2. Discuss the psychological processes of Consumer Behaviour.

Q3. List the steps in the Purchase Decision Process.

13.7 NON-COMPENSATORY MODELS OF CONSUMER CHOICE

The expectancy-value model is a compensatory model, in that perceived good things about a product can help to overcome perceived bad things. But consumers often take "mental shortcuts" called heuristics or rules of thumb in the decision process.

With non compensatory models of consumer choice, positive and negative attribute considerations do not necessarily come out.

A) With conjunctive heuristic method, the consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets this minimum.

B) The consumer chooses the best brand on the basis of its perceived most important attribute, under the lexicographic heuristic method.

C) With the elimination-by-aspects heuristic method, the consumer compares brands on a attribute selected and eliminates brands that do not meet minimum acceptable cutoffs.

D) Consumers do not adopt only one type of choice rule and may combine two or more decision rules.

- **Intervening Factors**

Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision.

A) The first factor is the attitudes of others.

1) The intensity of the other person's negative attitude toward the consumer's preferred alternative.

2) The consumer's motivation to comply with the other person's wishes.

B) The second factor is unanticipated situational factors that may erupt to change the purchase intention.

C) A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by perceived risk. There are many types of risks that consumers may perceive in buying and consuming a product:

1) Functional risk

2) Physical risk

3) Financial risk

4) Social risk

5) Psychological risk

6) Time risk

D) Marketers must understand the factors that provoke a feeling of risk in consumers and provide information and support to reduce it.

13.8 MARKETING INSIGHT: RURAL CONSUMER BEHAVIOUR

Rural consumers in contrary to urban consumers, exhibit certain behavior unique to rural settings, which makes it important for marketers to understand rural consumers through appropriate research. Rural consumers, for example, tend to lead a more relaxed lifestyle compared to their urban counterparts and exhibit little urgency. Consumers in rural markets tend to have greater trust in products and services endorsed by the government and its agencies. They tend to be more brand loyal as habits once formed are difficult to change, and they tend to take pride in getting a good deal rather than paying premium prices for products and services.

Rural consumers also exhibit certain specific patterns in the five-stage buying decision process. The community way of life in rural areas plays an important role during the problem recognition and information search stage. Even if the needs are internally triggered, these are shaped by the interaction with the reference groups, mainly the community. The problem recognition might result from the interactions (compare/contrast) with the community members.

13.9 MODERATING EFFECTS ON CONSUMER DECISION-MAKING

The manner or path by which a consumer moves through the decision-making stages depends on several factors, including the level of involvement and extent of variety-seeking, as follows.

Low-Involvement Consumer Decision-Making

The expectancy-value model assumes a high level of **consumer involvement,** or engagement and active processing the consumer undertakes in responding to a marketing stimulus.

Elaboration Likelihood Model

   A) Describes how consumers make evaluations in both low and high involvement circumstances.

      1) Central route.

      2) Peripheral route.

      3) Consumers follow the central route only if they possess sufficient motivation, ability, and opportunity. If any of these are lacking then the consumers tend to follow the peripheral route.

Marketers use four techniques to try to convert a low-involvement product into one of higher involvement.

   A) They can link the product to some involving issue.

   B) They can link the product to some involving personal situation.

   C) They might design advertising to trigger strong emotions related to personal values or ego defenses.

   D) They might add important features.

Variety-Seeking Buying Behavior

Some buying situations are characterized by low involvement but significant brand differences. Brand switching occurs for the sake of variety rather than dissatisfaction.

Decision Heuristics and Biases

Heuristics come into play when consumers forecast the likelihood of future outcomes or events.

   A) Availability heuristics

   B) Representativeness heuristics

   C) Anchoring and adjustment heuristics

13.10 MODELS OF CONSUMER BEHAVIOUR

A model may be described as a representative of an actual system. It represents the similar characteristics of a system. However various models of consumer behaviour have been proposed based on various factors such as scope, social, environmental, psychological etc. The chief purpose of proposing models is to identify the purchasing behavior of consumers.

- **Economic Model**

Consumers buy the products that are more economical (Cost element playing a vital role) when compared with other products. The economic model of consumer behavior focuses on the idea that a consumer's buying pattern is based on the idea of getting the most benefits while minimizing costs. Thus, one can predict consumer behavior based on economic indicators such as the consumer's purchasing power and the price of competitive products. For instance, a consumer will buy a similar product that is being offered at a lower price to maximize the benefits; an increase in a consumer's purchasing power will allow him to increase the quantity of the products he is purchasing.

- **Learning Model**

This model is based on the idea that consumer behavior is governed by the need to satisfy basic and learned needs. Basic needs include food, clothing and shelter, while learned needs include fear and guilt. Thus, a consumer will have a tendency to buy things that will satisfy their needs and provide satisfaction. A hungry customer may pass up on buying a nice piece of jewelry to buy some food, but will later go back to purchase the jewelry once her hunger is satisfied.

- **Psychoanalytical Model**

The psychoanalytical model takes into consideration the fact that consumer behavior is influenced by both the conscious and the subconscious mind. The three levels of consciousness discussed by Sigmund Freud (id, ego and superego) all work to influence one's buying decisions and behaviors. A hidden symbol in a company's name or logo may have an effect on a person's subconscious mind and may influence him to buy that product instead of a similar product from another company.

- **Sociological Model**

The sociological model primarily considers the idea that a consumer's buying pattern is based on his role and influence in the society. A consumer's behavior may also be influenced by the people she associates with and the culture that her society exhibits. For instance, a manager and an employee may have different buying behaviors given their respective roles in the company they work for, but if they live in the same community or attend the same church, they may buy products from the same company or brand.

- **The Nicosia Model**

  The Nicosia model is one of the examples of systems model where human being is treated as a system, with inputs as stimuli and behavior being its output. It is mainly constructed by considering the marketing viewpoint of a consumer. It was proposed by Francisco Nicosia, an expert in consumer motivation and behavior in 1990. It establishes the relationship between the firms and its consumer. It focuses how the activities of firm target the consumer to purchase firm's products and finally its usage and evaluation on certain criteria.

- **The Howard Sheth Model**

  The Howard sheth model has been put forward by John Howard and Jagadish Sheth in 1969. This model states that there exists certain variable which affects the perception and learning of consumer, apart from inputs and outputs. These variables are imaginary as it is difficult to measure them directly.

13.11 BEH AVIORAL DECISION THEORY AND BEHAVIORAL ECONOMICS

As one might guess, consumers don't always process information or make decisions in a deliberate, rational manner under low-involvement and variety-seeking decision making.

Behavioral decision theory (BDT) has been one of the most active academic research areas in marketing over the past three decades. Behavioral decision theorists have identified many situations in which consumers make seemingly irrational choices.

Marketing Insight: Predictably Irrational

Some thought-provoking research insights are consideration of mental factors and unconscious cognitive biases that conspire to result in seemingly irrational decision making in many different settings.

Decision Heuristics

Above we reviewed some common heuristics that occur with non compensatory decision-making. Similarly other heuristics come into play in everyday decision making when consumers forecast the likelihood of future outcomes or events.

- A) The availability heuristic – In this, consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind.

- B) The representativeness heuristic – Here, consumers base their predictions on how representative or similar the outcome is to other examples.

- C) The anchoring and adjustment heuristic – Consumers arrive at an initial judgment and

then adjust it based on additional information.

It is important to note that marketing managers may also use heuristics and be subject to biases in their own decision making.

Concept of Framing

Decision framing is the manner in which choices are presented to and seen by a decision-maker.

Mental Accounting

Researchers have found that consumers use mental accounting when they handle their money.

Mental accounting refers to the way consumers code, categorize, and evaluate financial outcomes of choices.

Formally, it is "the tendency to categorize funds or items of value even though there is no logical basis for the categorization, e.g., individuals often segregate their savings into separate accounts to meet different goals even though funds from any of the accounts can be applied to any of the goals."

According to Chicago's Thaler, a set of core principles base mental accounting:

1. Consumers tend to segregate gains. When a seller has a product with more than one positive dimension, it's desirable to have the consumer evaluate each dimension separately. Listing multiple benefits of a large industrial product, for example, can make the sum of the parts seem greater than the whole.

2. Consumers tend to integrate losses. Marketers have a distinct advantage in selling something if its cost can be added to another large purchase. House buyers are more inclined to view additional expenditures favorably given the high price of buying a house.

3. Consumers tend to integrate smaller losses with larger gains. The "cancellation" principle might explain why withholding taxes from monthly paychecks is less aversive than large, lump-sum tax payments—the smaller withholdings are more likely to be absorbed by the larger pay amount.

4. Consumers tend to segregate small gains from large losses. The "silver lining" principle might explain the popularity of rebates on big-ticket purchases such as cars.

13.12 SUMMARY

Consumer behavior is the study of how individuals select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. Marketers must fully understand both the theory and reality of consumer behavior. Culture, subculture, and social class are particularly

important influences on consumer buying behavior. Culture is the fundamental determinant of a person's wants and behaviors. Each culture consists of smaller subcultures that provide more specific identification and socialization for their members.

13.13 GLOSSARY

Culture is the basic determinant of a person's wants and behavior.

Social factors such as reference groups, family, social roles and statuses affect the buying behavior of the consumer.

Perception is the process by which one will select, organize, and interpret information inputs to create a meaningful picture of the world.

Mental accounting refers to the way consumers code, categorize, and evaluate financial outcomes of choices.

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13.16 TERMINAL QUESTIONS

Q1. Meaning of Consumer behavior.

Q2. Discuss briefly the factors influencing consumer behavior.

Q3. Discuss the buying decision process for a LED Television you want to purchase.

Q4. What are the different motivational theories that underlie consumer behavior**?**

Q5. In an age of cross culture do you think that cultural factors are still the major determinants of   consumer behavior.

Q6. Discuss the external determinants of consumer behavior.

Q7. What are the various risks involved in buying a product?

Q8. Describe briefly perception.

13.17 CASE LET

Neil Peterson, in the late 1990s, then a Los Angeles public-transportation official, was traveling in Europe when he stumbled upon a new approach to owning a car.

Car sharing, which became popular on the Continent in the 1980s, was aimed at people who owned a vehicle or were thinking of buying one but were turned off by the expense and hassle of maintaining the thing full time.

Under car sharing, you didn't buy a car outright; you used it as you would a time-share property, reserving blocks of time that suited your needs. If you wanted only to drive to the market, you could rent it for an hour at a time with a low mileage limit. If you wanted to take weekend jaunts, you could buy a bundle of hours with a high mileage allowance. To pick up the car, you'd travel to the closest sharing outlet (usually just a walk or short bus ride away), and when you were done, you'd drop the vehicle off there.

The concept wasn't new to the U.S. A number of small nonprofits sprang up in the mid-'90s that allowed residents to use a vehicle in their community on an hourly basis. But Mr.

Peterson had bigger plans: He wanted to bring car sharing to large cities, and he wanted to turn a profit.

Any entrepreneur knows it's tough enough trying to start a small business selling a garden-variety product or service. So how do you change the mind-set of a country that sees automobiles as symbols of status and freedom -- where people often wear their cars like they wear their clothes?

"The automobile is part of the culture here," says Mr. Peterson. "But, in general, people are moving away from an age of ownership to an age of access, meaning people want access to things but they don't want the costs involved with ownership. And we're effectively giving them that access minus the costs."

With just five vehicles Mr. Peterson started Flexcar in Seattle in 1999. His first step, which he has repeated in other cities, was to partner with local public-transportation boards, universities and businesses to help market his program. For instance, in some cities Flexcar has made deals with transit officials that let the company offer its customers passes for public buses and trains. And some employers partially subsidize Flexcar memberships as a perk for their employees.

Mr. Peterson's marketing tried to position car sharing as liberating, offering slogans such as "Why buy wheels when you can borrow them?" Flexcar's ads also urge drivers to "Shift your thinking" about car ownership--don't look at a car as a status symbol but as a means of getting around. Don't even look at it as property, in fact; think of it more as a time-share vacation home.

Car sharing "gives you a short-term relationship, kind of like getting a motel room instead of buying a house," says Michael Marsden, a professor at Eastern Kentucky University in Richmond, Ky., who teaches about American car culture. "We as Americans love our cars, but they certainly drain time and money, and this is an alternative to that."

Mr. Peterson also pushed price. The average cost of owning or leasing a new car, including things such as gas, insurance, depreciation and the car payment itself, totals $625 a month, according to the American Automobile Association. The average member in a car-sharing program spends less than $100 a month on car expenses.

Flexcar members pay a one-time $25 membership fee. Someone needing a car only occasionally can pay as little as $10 an hour with 10 free miles, plus 35 cents each additional mile. Those needing the car more often can select from five monthly plans starting from $45, for up to five hours and 50 miles, to $725 for 100 hours and 1,000 miles.

Members receive an electronic smart card that allows them to access any vehicle in the company's fleet after they've called and reserved a car. If the car that a member initially selects isn't available, he or she will have to select another car or switch to a different time slot.

But the idea of a large car-sharing program in Seattle encountered some bumps in the road. Ref Lindmark, a Seattle transportation official who helped get the Flexcar program off the

ground there, says the idea wasn't well received by a number of potential partners. Some rental-car companies, which he approached about starting a car-sharing program, didn't respond to requests. Some small neighborhood car-share organizations expressed their concerns that the idea just wouldn't work: Car sharing was a local, niche idea, they felt, and they didn't want to be part of a national operation.

Mr. Lindmark says, "We knew we were taking a risk," outreach coordinator for the King County metro area's Car-Sharing Program in Seattle and a partner with Flexcar. "But we thought wherever you have urban density, a good transit system and marketing opportunities, there's a good chance it could work."

And Mr. Peterson discovered his customers weren't exactly who he expected them to be. Unlike in Europe, he found, people in the U.S. weren't necessarily interested in replacing their cars altogether, but rather in using the car-share program as a supplement to public transportation or a substitute for a second car. Also, Mr. Peterson discovered that the biggest growth came not from individuals, but from small and midsize companies that didn't want to maintain their own fleets of vehicles.

Mr. Peterson quickly tailored his ad campaigns to attract more businesses as clients, as well as people looking for second cars. The work paid off. Flexcar remains tiny compared with traditional rental firms, but its network has grown to 10,000 members in six states, covering such markets as Chicago, Los Angeles and Portland, Ore. It plans to expand to 30 more markets by 2008.

Perhaps an even better indication of success: Other car-sharing programs have popped up since Flexcar got started, including San Francisco-based City CarShare, Boston-based ZipCar and Chicago's I-Go Car.

Questions

1. How do you get consumers to change ingrained behavior?

2. Do you think that differences across cultures influence consumer behavior

UNIT 14 COMMUNICATION AND PERSUASION

14.1 INTRODUCTION

Communication is a necessary element of marketing. The main elements of a communication model include the sender, the message, the channel, the receiver, and the feedback. In the communication process, the sender or the marketer (Profit oriented /commercial or non-profit organization) encodes the message (generally a marketing communication) and send it to the receiver (target audience) through a medium (newspaper, radio, television, the Internet, etc.). Sometimes we may felt the messages we convey are not communicated properly or have we ever felt guilty of not conveying the message as it wants to be conveyed? If yes, it is because of our weakness towards communication skills. We use 'communication' usually refers to speaking or writing or sending a message to another person. But Communication, if we see, it is really much more than what we think. It involves a number of choices and decisions but being natural and unnoticed in informal situations. In formal situations, especially business organizations to their target audience, communication needs to be more effective and selected carefully, that is, one

need to plan their communication. In this unit we will be discussing how to develop communication campaigns to the target audience effectively.

14.2 OBJECTIVES

The objectives of the unit are to enable you to ;

- Understand Nature of Communication
- Realize its definition
- Know types of communication
- Comprehend elements of Communication
- Realize factors affecting Communication
- Be aware of Barriers to Communication
- Persuasive Communication meaning

14.3 NATURE OF COMMUNICATION

Every business concern has certain specified objectives. For achieving these objectives, there is a need for co-ordination among the employees who are engaged in the different activities of the concern. This co-ordination is possible only through communication which provides for exchange of information, ideas, facts and opinions.

14.4 DEFINITION

Many authors have defined communication in different ways. Some of the definitions are

"Communication is an intercourse by words, letters, symbols or messages and is a way that one organisation member shares meaning and understanding with another."

<div align="right">---- Koontz and O'Donnell</div>

"Communication is an exchange of facts, ideas, opinions or emotions by two or more persons."

<div align="right">----- Newmann and Summer</div>

"Communication is a sum of all the things one person does when he wants to create understanding in the minds of another. It involves a systematic and continuous process of telling, listening and understanding."

<div align="right">------ Allen Louis A.</div>

Communication, thus, is an interchange of thought or information among persons in an organization and is a systematic and continuous process of telling, listening and understanding. An important aspect of communication is the proper understanding of a message. If it is not understood by the receiver in the same way in which the sender of the message wants him to understand, there may be confusion, chaos, in the marketing message which leads to the non-fulfillment of goals which are set by the marketing organization. In view of this, communication is

not simply the transmission of message from one to another but also the correct interpretation and understanding of the message.

14.5 OBJECTIVES OF COMMUNICATION

Possible communications objectives for a marketing programme include

- Generate awareness of the product or service.
- Imparting knowledge
- Projecting an image
- Shaping attitudes
- Stimulating a want or desire
- Effecting a sale

14.6 TYPES OF COMMUNICATION

Depending on the channels used and on the purpose and style of communication, it can be categorized into two main types

1. **Based on the communication channels**

    - **Verbal Communication**

        - ➢ **Oral Communication**

        - ➢ **Written Communication**

    - **Non Verbal Communication**

a) Verbal Communication

Verbal communication refers to the form of communication in which message is passed on orally. It may takes place orally face to face or over the phone. Communication is done even by word of mouth. In this form of communication it is always important to think what others understand by our message. F**urther, Verbal Communication is divided into the following:**

i)   Oral Communication

In oral communication, spoken words are used. It includes voice over internet, face-to-face conversations, video, radio, television, telephonic conversation and speech. In oral communication, communication is influenced by pitch, volume, speed and clarity of speaking. Let us see this with an example of the conversation between a manager and an employee.

Example

The message is being conveyed from the Manager (the Sender) to an employee named Bill (the Receiver) by telephone. The Manager wants to communicate to Bill that they need to buy more printer toner cartridges. Now let's look at how the same Message can travel successfully from Sender to Receiver.

Manager (speaking on the phone): "Good morning, Bill!"

(The manager is establishing a clear, personal link with the Receiver by using the employee's name.)

Manager: "Your division's numbers are looking great."

(Further the Manager's recognition of Bill's role in a winning team, personalizes and emotionalizes the conversation.)

Manager: "Our next step is to order more printers toner cartridges. Could you place an order for 1,000 printer toner cartridges with Jones Computer Supplies? Our budget for this purchase is $30,000, and the cartridges need to be here by Wednesday afternoon."

(breaking down the task into several steps by the Manager led to each step consisting of a specific task, time frame, quantity, or goal.)

Bill: "Sure thing! I'll call Jones Computer Supplies and order 1,000 more printer toner cartridges, not exceeding a total of $30,000, to be here by Wednesday afternoon."

 (**Bill**, on the other side is good at active listening, repeats what he has heard. This is the Feedback portion of the communication, and verbal communication has the benefit of offering opportunities for immediate feedback. Feedback helps Bill to recognize any confusion he may have had hearing the manager's Message. Feedback also helps the manager to tell whether the receiver has communicated the Message correctly.)

Advantages of Oral communication

- It conveys quick feedback.
- In a face-to-face conversation, through reading facial expression and body language any one can guess whether he/she should trust what's being said or not.

Disadvantages of Oral communication

- In oral communication, user is unable to deeply think about what he is delivering, so this can be counted as a drawback.
- There won't be any evidence in oral communication or Records cannot be maintained for further study.

ii)   Written Communication

Contrary to Oral, in written communication, written signs or symbols are used to communicate. A written message may be printed or hand written. In written communication, the sender sends the message via email, letter, report, memo etc. Message, in written communication, is influenced by the writing style, vocabulary & grammar used, precision and clarity of the language used. In business, most commonly used form of communication is Written Communication. So, it is considered core among business skills. Memos, reports, bulletins, job descriptions, employee manuals, and electronic mail are the types of written communication used for internal communication. For communicating with external environment various tools are used such as

electronic mail, Internet Web sites, letters, proposals, telegrams, faxes, postcards, contracts, advertisements, brochures, and news releases.

Advantages of written communication

- Messages can be edited and revised many times before it is actually sent.
- Written communication provides record for every message sent and can be saved for later study.
- A written message enables receiver to fully understand it and send appropriate feedback.

Disadvantages of written communication

- Feedback is conveyed lately unlike oral communication.
- More time is taken in composing a written message as compared to word-of-mouth and number of people struggle for writing ability.

b) Nonverbal Communication

Nonverbal communication is the sending or receiving of wordless messages by means of gestures, posture, body language, tone of voice or facial expressions. Nonverbal communication helps receiver in understanding the message received. Often, nonverbal communication reflects the situation more accurately than verbal messages. Sometimes nonverbal responses contradict with verbal communication and hence affect the effectiveness of message.

Nonverbal communications have the following three elements

- **Appearance**

Appearance speaks about the speaker's clothing, neatness, hairstyle, use of cosmetics etc, and the surroundings where the communication has taken place (room size, furnishings, lighting, decorations etc)

- **Body Language**

This includes the facial expressions, gestures, postures of the speaker.

- **Sounds**

This talks about the intonation, pitch and speech rate of the speaker. Let us see this with an example

Don't Use That Tone with Me!

Placement of the emphasis	What it means
I did not tell John you were late.	Someone else told John you were late.
I did **not** tell John you were late.	This did not happen at all.
I did not **tell** John you were late.	I may have implied it.

Placement of the emphasis	What it means
I did not tell **John** you were late.	But maybe I told Sheetal and Shankar.
I did not tell John **you** were late.	I was talking about someone else but not yours.
I did not tell John you **were** late.	I told him you still are late.
I did not tell John you were **late**.	I told him you were attending another meeting.

Table 1

Changing your tone can dramatically change your meaning.

Source: Based on ideas in Kiely, M. (1993, October). When "no" means "yes." *Marketing*, 7–9.

2) Types of Communication Based on Purpose and Style

There are two main categories of communication depending on style and purpose, and they both bear their own characteristics. Communication based on style and purpose are

i)   Formal Communication

While communicating message in formal communication, certain rules, conventions and principles are to be followed. Formal communication occurs in formal and official style. Usually corporate meetings, conferences, professional settings undergoes in formal pattern. In formal communication, use of slang and foul language is avoided and correct pronunciation is given importance. Authority lines are needed to be followed in this communication.

ii)   Informal Communication

In contrast with formal communication channels, Informal communication is done using channels that are quite different. It's just a casual talk. It is established in an organization for societal affiliations of members. It happens among family and friends. In informal communication use of slang words, foul language is not restricted. Usually informal communication is done orally and using gestures. Informal communication, unlike formal communication, doesn't follow authority lines. In an organization, it helps in finding out staff grievances as people express more when talking informally. Informal communication helps in building relationships.

14.7 ELEMENTS OF COMMUNICATION

A communication process involves the following elements:

- Communicator is the person who intends to communicate the message to other persons.
- Message, i.e., the subject matter of communication. This may be opinion, order, appeal, views, suggestions etc.

- Transmission, the act of conveying the message.
- Channel, which is the medium used to transmit the message.
- Receiver is known as the person for whom the message is meant.
- Response is nothing but replying or reaction of the receiver.
   In the whole process of communication noise can be caused at any point of time and it can be defined as the unnecessary disturbance in communication.

The process of communication is illustrated in Fig.14.1
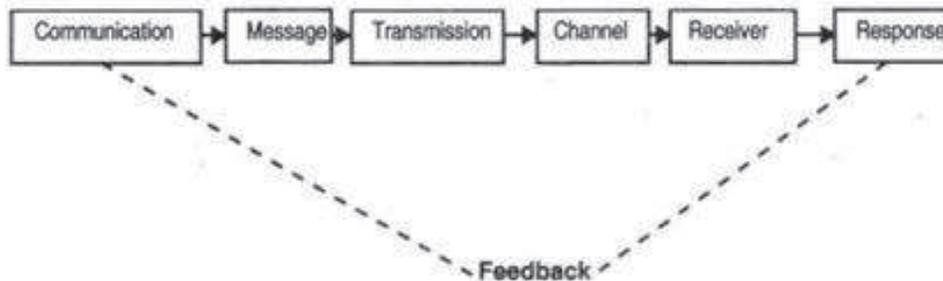
Fig 14.1 Process of Communication

14.8 FACTORS AFFECTING COMMUNICATION

It's not enough to create communications that contain the exact message you want to send, even you need to gain consumers attention and get those messages read thoroughly, heard properly or seen at least. Understanding what affects consumers' attention when it comes to marketing will help you get the most mileage from your communications.

- **RELEVANCE**

It is obvious that readers are more likely to pay attention to your communications if you make your message relevant to them. Savvy marketers sell the benefits of their products, rather than the features. For example, if you own a restaurant, think about why people dine out. Different customers want benefits such as kid-friendly menus, quick service, variety, or healthy dishes. Depending on what your unique selling point is, stress the same or advertise your benefits, rather than how many years you've been in to that business, that the restaurant is family owned or that you've won a local award.

- **CREDIBILITY**

Anyone can buy an ad that says their product only is the best. But Consumers really want to know they will get what they paid for when they shop, and offering reassurance will get their attention. Do this by using a credible expert or celebrity endorsement of your product. List your qualifications or awards won after you've grabbed potential customers' attention with your benefits.

- **HEADLINES**

Marketers often have to fight "clutter," or the competition from other advertisers in print media such as magazines or newspapers or electronic media such as on radio and TV stations. The headlines must grab consumers' attention or they might tune out what follows. Start your ads with a question, consumers will want to hear answered or by demonstrating a problem they have. For example, a dentist might begin ads by asking, "Would you like to reduce your child's cavities?" The rest of the ad would then discuss how regular checkups and treatments prevent cavities. Resist the temptation to make the name of your business or other non-benefit your headline. Avoid cute or obnoxious headlines intended only to stop readers, listeners or viewers, which might alienate customers when you don't deliver on the headline.

- **LAYOUT**

Photos, illustrations and typography can make your print message interesting or difficult to read. Make your print messages easy to read following a few basic layout techniques. Don't use italics or reverse type in body copy, which makes text difficult to read which customers might stop reading after a line or two. Use a large photo or graphic to grab people's attention long enough to get them to look at your headline.

- **WEBSITE GRAPHICS**

The more videos, animation and other elements you have on a website page that makes it take longer to load, the more you might alienate Internet surfers who want quick information. Avoid blinking text, which distracts visitors when they are trying to concentrate on another text block. Try to place your important information on the main viewing area of a computer screen or mobile app so visitors don't have to scroll down the page. Consider breaking large amounts of text into three different pages that let readers click and continue to read without having to keep scrolling to look for information.

- **CREDIBILITY OF THE SOURCE**

The credibility of the communicator should be most influential when one is unable to access a prior attitude about the topic and does not construct a personal attitude. Prior attitudes, prior knowledge, or repeated exposure to the message may reduce the influence of source credibility because prior attitudes, knowledge, and message content are generally perceived as being more valid bases for judgment than the credibility of the source. The persuasive effects of the high credibility sources do not endure over for long time. Although initially high credibility sources are better than low credibility sources but over a period of time both the positive and negative effects tend to disappear which is termed as "Sleeper effect".

- **COMPREHENSION AND MOOD OF THE RECEIVER**

Receivers decode the message on the basis of personal characteristics and their personal experiences. If the receiver has good experience with the product he/she used they like to hear from the same marketer again and again.

14.9 BARRIERS TO COMMUNICATION

There are many barriers to communication which are listed below

- **Lack of Resources**

Many times the company would not be interested to spend much on communication, though there is availability of skilled marketing professionals which might be due to lack of financial as well as time resources.

- **Top Management Support**

the support, guidance and resources of upper management is needed by a successful marketing communications campaign, or it creates a barrier for employees. Upper management has to work to ensure that the proper resources are available; from people and budgets to sharing of data across teams. Marketing communication campaigns don't put one manager in control. Instead control is shared, which can prove to be a difficult concept for some members of upper management, creating a barrier to marketing communication**.**

- **Different Corporate Cultures**

Marketing communications typically involve more than just one company working to put together a campaign. An advertising agency may develop a print advertisement, while a public relations firm may be in charge of pitching articles to the press about a product launch. Each company has its own unique culture, but when meshed with a new company culture, the result is not always positive. As a result, there's a potential barrier the teams must rise above. One organization may take a more relaxed approach to completing task, paying little to or no attention to looming deadlines, while the other may be dead-line driven.

- **Restricts Creativity**

With a variety of teams involved in launching an integrated marketing campaign, each team has to ensure that the piece of the campaign they're working on fits in with the overall goals and message of the campaign. This means that if the promotions team comes up with a creative idea for a sweepstakes, but it doesn't fall within the realm of the marketing communication campaigns goals, the team cannot implement the plan, regardless of how creative it may seem. The goal is to follow a unified strategy to create a message to send to consumers.

- **Selective perception**

Selective perception and advertising clutter can reduce the effective of communication in marketing a product. The best way to overcome is to repeat the message several times till it is received by the receiver. Repeated exposure to message helps reduce the psychological barriers to message reception and facilitates the reception.

14.10PERSUASIVE COMMUNICATION

Persuasion presents arguments that move, motivate, or change an audience**.** Persuasion attempts to influence people's beliefs, attitudes, intentions, motivations, or behaviors in relation to an event, idea, object, or other person(s). Persuasion is achieved through written or spoken communication that conveys information, logic, thoughts, emotions, and arguments. Effective business communication often involves persuasion. Lawyers, Salespeople and politicians make their living attempting to persuade others, and persuasion is an important part of the work of managers and leaders as well.

Persuasive communication achieves five things

- **Stimulation**
  The existing beliefs are reinforced, intensified, and prioritized through Persuasive communication. The purpose may be to build group cohesion, spur action or develop commitment to a shared set of goals. This approach may begin by acknowledging areas of common ground and then introducing new information that helps the audience value this commonality even more.

- **Convincing**

  Sometimes a message is meant to convince an audience of the rightness of a certain choice or course of an action. This often engrosses getting people to change their minds. The use of evidence and logical reasoning are effective techniques for accomplishing this type of persuasion.

- **Call to action**

  Persuasive argument is often a call to action. This type of speech is not purely about stimulating interest to reinforce and accentuate beliefs, or convincing an audience of a viewpoint. Its intention is to get people to do something (often to change their behavior). Calls to action are commonly part of implementing decisions.

  The several types of calls to action include:

  1. Adoption

  2. Discontinuance

  3. Deterrence and

  4. Continuance

 The first one adoption means here the speaker wants to persuade the audience or consumer to agree to a new way of thinking or adopt a new idea that influences their behavior. Discontinuance on the other hand is quite opposite: it involves the speaker persuading audience members to stop doing something (like quit smoking). Deterrence is a call to action that focuses on persuading the audience not to start something if they haven't already started. Continuance means the speaker

wants to persuade the audience to continue doing what they have been doing, such as keep buying a product, reelect a candidate, or stay in school to get an education.

- **Increase consideration**

Persuasive communicators also work to increase audience awareness and willingness to consider their position. Effective persuasion requires a target that is open to persuasion, and often this depends on how a message is framed and delivered. For example, an audience that is unmoved by appeals to emotion may be more willing to listen to rational arguments and facts.

- **Tolerance of alternate perspectives**

The final key to creating a persuasive argument is helping the audience develop a tolerance for alternative perspectives. Perhaps the audience is interested in purchasing a certain type of car; as the lead salesperson on that model, the speaker has to listen and perform informal audience analysis to learn that horsepower and speed are important values to this customer.

Check Your Progress-A

Q1. What is the nature of communication?

Q2. What are the various types of communication?

Q3. Discuss elements of communication in detail.

Q4. What are the various factors affecting communication?

Q5. What are the various barriers to communication in context to consumer behaviour?

14.11 ELEMENTS OF PERSUASIVE COMMUNICATION STRATEGY

In order to create persuasive communications, the sponsor (who may be person, a for-profit company, or a non-profit group) must first set up the objectives of the communication, then select the suitable audience for the message and the appropriate media through which to reach them, and then design (encode) the message in a manner that is apt for each medium and to each audience. It is important to have a prior feedback mechanism under the communications strategy that alerts the sponsor to any need for modifications or adjustments to the media or the message.

i)   Communications strategy

The sponsor must establish the primary communications objectives while developing his communications strategy. These objectives might consist of creating awareness of a service, encouraging (or discouraging) certain practices , promoting sales of a product, attracting retail patronage, reducing post purchase dissonance, creating goodwill or a favorable image, or any combination of these along with other communications objectives.

Out of numerous models claiming to depict how persuasive communications work, the cognitive models depict a process in which exposure to a message leads to interest and desire for the product and ultimately to buying behavior. For many decades, this general model had been widely adopted by advertisements.

ii)   Target audience

Selecting the appropriate audience is an essential component of a communications strategy. It is important to remember that audience is individuals-in many cases, great numbers of individuals. Because each individual has his or her own traits, characteristics, interests, needs, experience and knowledge, it is essential for the sender to segment the audience into groups that are homogeneous in terms of some relevant characteristics. Segmentation enables the sender to create specific messages for each target group and to run them in specific media that are seen, heard, or read by the relevant target group. It is unlikely that a marketer could develop a single message that would appeal simultaneously to its total audience. Efforts to use "universal" appeals phrased in simple language that everyone can understand invariably result in unsuccessful advertisements to which few people relate.

Companies that have many diverse audiences sometimes find it useful to develop a communications strategy that consists of an overall communications message to all their audiences, from which they spin off a series of related messages targeted directly to the

specific interests of individual segments. In addition, to maintain positive communications with all of their publics, most large organizations have public relations departments or employ public relations consultants to broadcast favorable information about the company and to suppress unfavorable information.

iii)   **Message strategies**

The message is the thought, idea, attitude, image, or other information that the sender wishes to convey to the intended audience. In trying to encode the message in a form that will enable the audience to understand its precise meaning, the sender must know exactly what he or she is trying to say and why. The sender must also know the target audiences personal characteristics in terms of education, interests, needs and experience. The sender must then design a message strategy through words and/or pictures that will be perceived and accurately interpreted by the target audience. One study developed a list of messages elements designed to appeal to three personality types

1.   Righteous buyer: who looks to recommendations from the independent sources such as   consumer reports?

2.   Social buyer: who relies on the recommendations of friends on celebrity endorsements and testimonials?

3.   Pragmatic buyer: who looks for the best value for the money, though not necessarily the least expensive?

iv) Message structure 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.

- **Resonance**

Advertising resonance can be defined as wordplay, often used to create a double meaning used in combination with a relevant picture. By using the resonance in advertisements marketers can improve the chances that their ads will be noticed by the consumers and create favorable and lasting impressions.

- **Message framing**

Marketing research suggests that the appropriate message framing decision depends on the not only on consumer's attitudes and characteristics but as well as the product itself. There are two types of message framing

> ➢   Positive message framing (stress the benefits to be gained by using a specific product)
> ➢   Negative message framing (the benefits to be lost by not using the product)

- **One sided versus two sided messages**

Observed carefully, there are very real strategic questions that marketers face every day, and the answers depend on the nature of the competition the companies face every day. Should marketers tell their audience only the good points about their products or should they also tell them the bad of the products? Should they pretend that their products are only ones of their

kinds, or should they acknowledge competing products? However, when competition does exist and when it is likely to be vocal, such advertisers tend to lose credibility with the consumer.

If the audience is friendly (eg: if it uses the advertisers products), if it initially favors the communicators position, or if it is not likely to hear an opposing argument, then one-sided(supportive)message that stresses only favorable information is most affective. However, if the audience is critical or unfriendly (e.g., if it uses competitive products),if is well educated, or if it is likely to hear opposing claims, then a two-sided(refutational) message is likely to be more effective. Two sided advertising messages tend to be more credible than one sided advertising messages because they acknowledge that the advertised brand had shortcomings. Two sided messages can also be very effective when consumers are likely to see competitor's negative counter claims or when consumer attitude toward the brand are already negative.

- **Comparative Advertising**

Comparative advertising is a widely used marketing strategy in which a marketer claims product superiority for its brand over one or more explicitly named or implicitly identified competitors, either on an overall basis or on selected product attributes. Comparative advertising is useful for product positioning, for target market selection, and for brand-positioning

- **Order Effects**

Is it best to produce a commercial first or last? Should you give the bad news first or last? Communication researchers have found that the order in which a message is presented affects audience receptivity. For this reason, politicians and other professional communicators often jockey for position when they address an audience sequentially; they are aware that the first and the last speeches are more likely to be retained in the audience memory than those in between.

v)   Repetition

Repetition is an important factor in learning. Thus, if is not surprising that repetition, or frequency of the ad, affects persuasion, ad recall, brand-name recall, and brand preferences. Multiple message exposures give consumers more opportunity to internalize products attributes, to develop more or stronger cue associations, to develop more positive attitudes, and an increased willingness to resist competitive counter persuasion efforts. In low-involvement situations, individuals are more likely to regard message claims that are repeated frequently as more truthful than those repeated with less frequency. Different ads depicting different applications of the same promotional theme enhance the memorability of the brand advertised.

vi)   Advertising appeals

Sometimes objective, factual appeals are more effective in persuading a target audience, at other times emotional appeals are more effective. It depends on the kind of audience to be reached and their degree of involvement in the products category. In general, however, logical, reason-why appeals are more effective in persuading educated audiences and

emotional appeals are more effective in persuading less-educated consumers. The following section examines the effectiveness of several frequently used emotional appeals.

- **Fear appeals**

Fear is an emotional response to some actual or perceived threat or danger. Advertisers use fear appeals in some situations to evoke the desired emotional response and motivate audience to take steps to remove the treat. Some people humorously call these as 'slice-of-death' ads. Toothpaste, deodorants, helmets, anti-dandruff shampoos, life insurance and a large number of other products and services use fear appeals.

In some situations, it appears to be quite reasonable for advertisers to consider using fear with explicit purpose of persuading the audience to elicit a favorable response. Fear is a powerful motivator, but only up to a point. Ad messages using fear appeals have been used to promote social causes as , such as wearing helmets while driving two-wheelers autos, safe driving, paying taxes, the dread of drugs, dangers of smoking and AIDS, etc.

- **Humor appeals**

Humor generates feelings of amusement and pleasure and for this reason it has a potential for the feeling to become associated with the brand and affect consumer attitudes towards the brand and probably its image. Humor can also affect information processing by attracting attention, improving brand name recall, creating pleasant mood and reducing the chances of counter-arguing.

vii)   Abrasive Advertising

The memory of an unpleasant commercial that antagonizes listeners or viewers may dissipate over time, leaving only the brand name in the minds of consumers.

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.

Pharmaceutical companies often run such commercials with great success that are not visible and thus elicit little sympathy from family and friends.

viii)   Sensual advertising

In our highly permissive society, sensual advertising seems to permeate the print media and the airwaves. Advertisers are increasingly trying to provoke attention with suggestive illustrations, crude language, and nudity in their efforts to appear 'hip' and contemporary. In today's advertising, there is a lot of explicit and daring imagery, extending far beyond the traditional product categories of fashion and fragrance into such categories as shampoo, beer, cars and home construction.

ix)   Audience Participation

The provision of feedback changes the communication 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. But feedback also is important to receivers because it enables them to participate, to be involved, to experience in some way the message itself. Participation by the receiver reinforces the message. An experienced communicator asks questions and opinions of an audience to draw them into the discussion.

14.12 SUMMARY

In developing persuasive communication it is always important to know the target audience and craft the right message which suits them. It is necessary to keep in mind that different organizations have different marketing communication objectives which need to be designed accordingly.

14.13 GLOSSARY

Communication is an interchange of thought or information among persons in an organization and is a systematic and continuous process of telling, listening and understanding.

Verbal communication refers to the form of communication in which message is passed on orally.

Oral Communication- In oral communication, spoken words are used. It includes voice over internet, face-to-face conversations, video, radio, television, telephonic conversation and speech. In oral communication, communication is influenced by pitch, volume, speed and clarity of speaking.

Nonverbal communication is the sending or receiving of wordless messages by means of gestures, posture, body language, tone of voice or facial expressions.

Persuasion presents arguments that move, motivate, or change an audience. Persuasion attempts to influence people's beliefs, attitudes, intentions, motivations, or behaviors in relation to an event, idea, object, or other person(s).

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14.16 TERMINAL QUESTIONS

Q1. Discuss briefly the types of communication.
Q2. List out the differences between verbal and nonverbal communication.
Q3. What are the elements of a communication model?
Q4. Write a brief note on persuasive communication.
Q5. When you want to communicate your newly launched product to public how do you chart out your message presentation. Explain by taking an example of your choice.

UNIT 15 CULTURAL INFLUENCE

15.1 INTRODUCTION

Buyer lead deals with the examination of acquiring behavior of purchasers. Purchaser lead empowers us fathom why and why not an individual purchases items and endeavors from the market.

There are a couple of segments which affect the obtaining selection of purchasers, social components being a champion among the most basic factors.

Social components incorporate arrangement of characteristics and rationalities of a particular gathering or assembling of individuals. It is the lifestyle of a man which picks the way he/she goes ahead. In less troublesome words, culture is just estimations of a man. What an individual increases from his people and relatives as a child transforms into his lifestyle.

In India, people still regard joint family structure and family ties. Adolescents in India are shaped to stay with their people till they get hitched when stood out from outside countries where kids are all the more free and leave their people once they start getting a living for themselves.

Social components essentially influence a man's acquiring decision. Every individual has particular plans of penchants, feelings and models which he/she makes from his family status and establishment. What they see from their childhood transforms into their lifestyle.

Allow us to appreciate the effect of social factors on obtaining selection of individuals with the help of various cases. Females staying in West Bengal or Assam would lean toward buying sarees when stood out from Westerns. So likewise a male client would lean toward a Dhoti Kurta in the midst of auspicious capacities in Eastern India as this is the thing that their lifestyle is. Young women in South India wear skirts and pullovers when appeared differently in relation to young women in north India who are more into Salwar Kameez.

Our lifestyle says that we need to wear standard apparel on social unions and this is the thing that we have been following since years. Individuals in North India incline toward breads over rice which is a most loved with individuals in South India and East India.

15.2 OBJECTIVES

After studying the unit you would be able to know about;

- Culture and Cultural Rituals
- Cultural Differences
- Subcultural differences affecting Marketing Decisions

15.3 CULTURE AND CULTURAL RITUALS

Culture alludes to the combined store of information, encounter, convictions, values, states of mind, implications, progressive systems, religion, thoughts of time, parts, spatial relations, ideas of the universe, and material items and belonging gained by a gathering of individuals over the span of eras through individual and group striving.

A custom "is an arrangement of exercises including motions, words, and protests, performed in a sequestered place, and performed by set succession". Ceremonies might be recommended by the conventions of a group, including a religious group.

Customs are an element of all known human social orders. They incorporate not just the love rituals and holy observances of composed religions and cliques, additionally transitional experiences, compensation and filtration rituals, promises of faithfulness, devotion services, crowning rituals and presidential initiations, relational unions and funerals, school "surge" customs and graduations, club gatherings, wearing occasions, Halloween parties, veterans parades, Christmas shopping and that's only the tip of the iceberg. Numerous exercises that

are apparently performed for solid purposes, for example, jury trials, execution of crooks, and logical symposia, are stacked with absolutely typical activities endorsed by controls or custom, and along these lines mostly ceremonial in nature. Indeed, even basic activities like hand-shaking and making proper acquaintance might be named ceremonies.

Values

Values can be partitioned into different groups, such as, family values, individual values and cultural/ ethnic values.

Family values

The family has truly solid impact on customer conduct. In the event that the family will acknowledge, for instance morals, it will be seen without a doubt later on of youngsters. What's more, if guardians will value certain sorts of qualities it has affect on more youthful esteems. Relatives affect choices. This implies family choices are regularly together, and every purchaser's choice to take part in more than one individual. Human conduct is to a great extent learned. Frequently individuals take in the qualities at an early stage, for instance, from school or from guardians.

Individual values

Today, the earth is viewed as vital and acknowledged. It additionally demonstrates the purchasers practices since today support the earth to help and advance the items. That is a major piece of our life nowadays. Consumer conduct relies upon individual factors, for example, age, phase of life, occupation, instruction, pay, way of life. At various ages and phases of life, shoppers have distinctive needs, longings and qualities. Besides, the financial circumstance, training, occupation, way of life, and identity impact the issues on which the shopper is keen on, and what administrations and items they use right now. Diverse efficient condition impacts shopper conduct, in light of the fact that for instance of the distinctive life circumstances may not be utilized as a part of a similar way cash.

Cultural/ethnic values

In the first place are social esteems. Social foundations impact individuals' conduct. The setting of buyer conduct, culture alludes to the aggregate memory. Culture influences individuals in two ways: Create comprises of the history, values, convictions, social structure, religion and methods for living and connections. These grow up from adolescence. Culture is additionally run of the mill by outside components, for example, unique images, customs, ceremonies and legends. Each made a social domain and it shapes a man's identity. It receives the practices, models, qualities and states of mind. Culture changes gradually after some time.

15.4 CULTURAL DIFFERENCES

In worldwide advertising understanding the culturally diverse contrasts is basic for creating compelling promoting procedures for the assorted outside business sectors with an assortment

of societies. Shopper conduct is the focal part of human conduct. Buyer conduct incorporates not just obtaining items additionally devouring items and recreation exercises; not just satisfying day by day needs additionally acknowledgment of long haul life esteems. In this way shopper conduct can be viewed as an utility and esteem creating exercises.

The exploration on diverse purchaser conduct has as of late increased a few significance and the intrigue created in this field is a vital start around there. There are fundamentally two methodologies in worldwide showcasing: one approach considers that essential needs and conduct are all inclusive all around thus similar items can be sold comparatively in each market while the second approach considers that each nation has its claim one of a kind arrangement of issues and culture. These gathering fights that widespread promoting hypothesis is inapplicable in various districts thus there ought to be extraordinary showcasing choices particular for each culture.

The advocates of first idea contend that the globalization of business sectors is causing the joining of clients' needs thus diverse contrasts will have negligible impact on the purchaser conduct, subsequently calling for institutionalization of items and other promoting blend components. The idea of this approach depends on the hypothesis of learning on human conduct however doesn't consider culture which can influence conduct. The defenders of the qualm contend that culture has huge impact on the conduct of people; gives prove that culture is a hidden determinant of buyer conduct. Culture has profound suggestions on the mind of the customer and adjustment to social esteems prompts promoting viability perceives the impact of culture on shopper ingenuity. The chosen parts of shopper conduct might be recorded on which the way of life may have conceivable effect: discernment, inspiration, learning and memory, age, own idea, assemble impact, social class, sex parts, demeanour change, choice making, buy and post-buy conduct. It is generally perceived the impact of social esteems on the shopper conduct.

Culture influences the different levels of purchaser association in basic leadership. The culturally diverse consequences for the influence bids persuades that social contrasts in customer inclinations exist. It is likewise watched that pointing out people's their social character may initiate sentiments of gathering participation in an indistinguishable route from it would have by really investment in a gathering, which would finally affect choices in both gathering and utilization circumstances. The part of reasons in basic leadership is entirely vital as learning and contrasts are enacted when the people are approached to give purposes behind their choice or buy choice.

15.5 COUNTRY-OF-ORIGIN

The Country-of-Origin impact, otherwise called the made-in picture and the nationality inclination, is a mental impact depicting how shoppers' states of mind, discernments and obtaining choices are affected results' nation of beginning marking. Since 1965, it has been broadly contemplated by scientists.

Nation of Origin marking begun in 1887 when the British government, with an end goal to lessen offers of German and other non-English items to English shoppers, passed a law requiring items produced outside England to be named with their nation of manufacturing.

In America, the marking of pieces of clothing came into law under the Textile Fiber Products Identification Act (TFPIA). The demonstration itself forces directions on the promoting and naming of material fiber items that are being foreign and traded out of the United States. These items are characterized in the go about as, "any fiber, yarn, or texture utilized or planned for use in family unit material articles". Family unit material articles incorporate "wearing clothing, ensembles, draperies, floor covers, furniture, and bedding". The objective of the Textile Fiber Product Identification Act is to ensure makers and customers against mislabeling or false publicizing about the fiber substance of material fiber items. It wasn't until 1984 that the TFPIA was altered to incorporate things made in The United States expressing that they were "Made in U.S.A".

Alongside illustrating every fiber utilized inside the item, the producer must mark nation of-starting point data. This data must be promptly open on articles of clothing for snappy examination. Pieces of clothing that incorporate a neck must follow a name halfway between the shoulder creases within focus of the neck. Articles of clothing or items that do exclude a neck must consolidate a nation of-cause name on an unmistakable range on the inward or external parts of the item.

From the time that the demonstration was presented, the bringing in of clothing expanded in America. While this helped the economy locally and internationally, it likewise hurt the apparel producing industry in the US. Prior to the demonstration, 95% of attire bought in the US was created stateside. Presently, under 4% bought is made inside the United States.

At times, fabricating merchandise on a mass level can require a wide range of providers and makers to finish a completed item. Usually, the undertakings related with finishing a completed item don't happen in only one single maker or nation. In an article for the Business of Fashion, Solca states that, "Made in divulgences are not required for items exchanged inside the European Union. Indeed, even where required, 'Made in' criteria are anything but difficult to meet: cost limits can be come to with completing, quality control and bundling, while at the same time fabricating is kept seaward".

Country-of-Origin (COO) signal triggers a worldwide assessment of value, execution, or particular item qualities. Purchasers construe credits to the item in view of nation generalization and encounters with items from that nation. Subsequently, a COO signal has turned into a critical data prompt for customers who are presented to significantly more internationalized item choice and multinational showcasing than any other time in recent memory. In this way, the nation of cause may even influence customers' recognitions past their cognizant control. Research into COO has concentrated on different issues connecting COO with other showcasing factors, including shopper patriotism, socioeconomics, half breed items, mark impacts, item quality, value, purchaser discernments, innovation advancement, item highlights, publicizing pictures, and nation pictures, to gauge buyer observations and buying conduct.

It has been exactly shown that the COO impact has huge cost related outcomes and brands with ideal COO affiliations can charge cost premiums, well beyond those credited to watched item separation.

The nation of inception impact is most grounded on more seasoned buyers and the individuals who don't know much about the item or item sort, and weakest on customers who are all around educated. Affectability to nation of birthplace changes by item classification. It is most grounded for strong merchandise and extravagance products and weakest for "low association" item classes, for example, cleanser, sweet, lights, bathroom tissue and athletic shoes. At the point when the nations of configuration, produce and the parent mark are distinctive, look into recommends every one of the three issue to shoppers, however the nation of fabricate may matter most.

Some examination recommends that more youthful purchasers mind fundamentally not as much as more established individuals about nation of beginning, however different investigations brought about various discoveries. The examination on whether men or ladies think more about nation of birthplace is additionally uncertain.

A U.S. think about discovered American understudies all the more ready to purchase a "made in China" teddy bear when it was sold at an American store they accepted was kind-hearted, able and legit, proposing that negative nation of cause impacts might be balanced when customers believe the store offering the item. Shoppers have a relative inclination or revolution for items, contingent upon the items' nation of inception.

An inclination for privately made items has been connected to a collectivist culture, and an inclination for outside made items is related with a more individualistic, aggressive culture, and furthermore with nations that are less financially created.

One of the greatest difficulties numerous Asian organizations confront as they globalize is the recognition that Asian brands are second rate. Research in worldwide showcasing has demonstrated that nation affiliations do prompt client inclination and this predisposition relies upon how a client sees the picture of a nation. French wine, German autos, Japanese robots, Colombian espresso, Italian design, Singaporean effectiveness, Swiss chocolate. Some place in our psyches, these items and administrations are related with specific nations inferable from their heritage or culture or way of life, which naturally drives us to see them as 'premium'. A few brands have even been given outside names, to make an apparent "COO" impact.

A related angle is the notoriety of the administration and its corporate administration – how bureaucratic, straightforward, degenerate or productive is a nation's legislature?

Shoppers are for the most part felt to see Chinese items as low-quality, and to relate "made in China" marking with esteem valuing, untalented work and economical materials. In 2007 and 2008 China's notoriety endured worldwide because of item wellbeing foundations in many

parts of the world reviewing Chinese-made items, for example, pet sustenance, toys, toothpaste and lipstick, as a result of worries about their quality and security.

A few items are emphatically connected with a specific nation, for example, (in the Western world) silk with China, flavours with India, wine with France, chocolate with Belgium, autos with Germany, form with Italy and hardware with Japan. Such items marked as beginning in that nation will profit by a corona impact, with buyers expecting they are high caliber.

Nations that are less monetarily created have a tendency to have a negative nation picture and a negative nation of-cause impact.

Affiliations change by nation and district. Japan is all around comprehended to make amazing items, but then verifiable ill will amongst it and some other Eastern Asian nations may decrease those nations' obtaining of Japanese items. French shoppers abstain from purchasing American items because of hostility towards U.S. legislative issues and saw U.S. resignation amid the French Revolution. All through Southeast Asia, Korean products are profoundly esteemed.

Check Your Progress-A

Q1. What do you mean by Culture and Cultural Rituals?

Q2. What do you mean by Cultural Differences?

Q3. Write a short note on Country-of-Origin.

15.6 SUBCULTURES

Whatever might be the personality of a person in his local nation, he is probably going to adjust to the traditions of Indian culture. In view of one's belongingness to a specific portion, he could show an alternate behavioral example. These behavioral contrasts might be surely knew by a term known as subculture. In particularly an indistinguishable path from a culture is situated around the basic needs and issues of its individuals, so a subculture might be said to conform to the normal needs and issues of a social class.

As there can be expansive contrasts between the way of life of different social orders, there can likewise be contrasts inside a similar culture. Each culture, along these lines, contains subcultures, characterized as gatherings that offer the qualities and ancient rarities of the bigger society, additionally have unmistakable practices, inclinations, and convictions. Businesspeople living in the old piece of Delhi, film specialists, and individuals living in the urban ghettos are all cases of subcultures. Islam is the overwhelming religion in the way of life of India; Hindu, Sunni, Shiaa, for instance, might be seen as subcultures inside the bigger Indian culture in India.

Subculture may likewise be characterized regarding such factors as area, country or urban living arrangement, ethnic foundation, and religion. Those related to a Subculture might be said to conform to the regular needs and issues of a social class.

Subculture tend to think and act alike in specific regards, and this has essential ramifications for their ways of life. Acknowledgment of this has prompted experimentation with showcase division as a methods for creating compelling promoting procedure adjusted to showcase focuses on that are accepted to have extraordinary prospect. Subculture is hence a section or portion of the fundamental culture. As business sectors might be fragmented by various factors so as the way of life. Subculture, thusly, may likewise be named as social division. In the event that you isolate the aggregate culture in to little homogeneous gatherings, which might be come to with an unmistakable showcasing blend, you can call each section a subculture.

It is in this way a portion of the way of life that offers recognizing examples of conduct. You can recognize two essential components dissecting this definition. Recognizing examples of conduct is the primary viewpoint with respects to subculture that advertisers need to accentuate. Individuals from a sub-social gathering must share practices that contrast from those of the bigger or prevailing society of a nation. You can call a gathering or portion a subculture just when individuals from that gathering show a conduct design not quite the same as different gatherings.

The other vital perspective or highlight of subculture is that individuals from a subculture are particularly part of the prevailing society. Practices of the individuals from a subculture to a great extent correspond with those of the primary culture as appeared in the accompanying figure, which is simple. The characterization of subculture as a particular social gathering that exists as an identifiable portion inside a bigger, more mind boggling society. In this manner, the social profile of a general public or country is a composite of two unmistakable components: (1) the one of a kind convictions, values, and traditions subscribed to by individuals from particular subcultures; and (2) the focal or center social subjects that are shared by a large portion of the populace, notwithstanding particular subcultural enrollment." Every Indian is, in substantial section, a result of the Indian lifestyle. Every Indian, be that as it may, is in the meantime an individual from different subcultures. It is normal that participation in each extraordinary subculture would give its own particular arrangement of particular convictions, qualities, traditions, and states of mind. The conduct designs that recognize subcultures depend on factors, for example, race, nationality, religion, urban and provincial recognizable proof etc.

Subculture might be classified into a wide range of classes. The diverse significant Sub-Cultural Categories are:

- Ethnic (in view of the predecessors' origination)
- Religious
- Provincial
- Age
- Singles
- Occupation
- Social Class

15.6.1 ETHNIC SUBCULTURE

The ethnic subculture depends on the nationality of one's precursors who have relocated to another nation. It (nationality) may frame a reason for a subculture when the individuals from that nationality bunch relate to it and base in any event some of their practices on the standards of the national gathering. Ethnic subculture is typically found in well-off nations where individuals relocate from different parts of the world with the expectation of a superior life and work. In spite of the fact that ethnic gatherings may lose their nationality after some time, in any case, in actuality ethnic ID is held starting with one era then onto the next through various foundations.

Despite the fact that the residents of a specific nation consider themselves to be natives of that nation, however they as often as possible hold a feeling of pride and ID in the custom and dialect of their predecessors. "With regards to purchaser conduct, this genealogical pride is showed most firmly in the utilization of ethnic nourishments, in go to country, and in the buy of various social antiquities (ethnic attire, craftsmanship, music, remote dialect daily papers)." One's enthusiasm for ethnic products and enterprises grows quickly, as one tends to better comprehend and connects with his ethnic beginning.

Ethnic subculture gives a mental wellspring of gathering recognizable proof. An individual picks up a feeling of way of life as he communicates with different individuals from a similar ethnic gathering. The connection builds closeness among the individuals and they feel great to recognize themselves with an unmistakable gathering. It likewise offers a designed system of gatherings and associations, and a individual from the said subculture may keep up welcoming and cozy association with different individuals as long as he wishes. An individual relocating to another culture may think that it's hard to comprehend numerous parts of that culture. Here the ethnic subculture to which he has a place may help him to see the new culture by giving him a rule on the new culture.

Each of the ethnic subculture has one of a kind conventions and practices that have potential impact on item inclinations and utilization conduct. A specific market comprising of ethnic subcultures might be the center of an advertiser. Be that as it may, it is not simple to reach viably a specific ethnic subculture with a specific kind of item. The reason is that not every person in a similar ethnic subculture will devour the same Ethnic subculture gives a mental wellspring of gathering distinguishing proof. To be successful, advertisers should additionally think about ethnic subcultures on the premise of statistic and different perspectives.

In light of the aftereffects of such investigation, a similar ethnic market might be further fragmented and distinctive offers ought to be made for various subsegments.

15.6.2 RELIGIOUS SUBCULTURE

A person's religious alliance impacts, as it were, his utilization design. The individuals who have a place with a specific religion may purchase/not purchase and utilize/not utilize certain products and enterprises. Individuals from a specific religion constitute what we call religious subculture. Religious convictions and ceremonies may manage the utilization of specific things and may demoralize the utilization of others.

It is normal that individuals from a specific religious subculture will show comparable behavioral examples in their buys and utilization. Be that as it may, contrasts might be found among the individuals from a specific religious subculture as far as their utilization and way of life. An advertiser of cine-magazine will have no issue in contacting the later individual, where it will be practically unimaginable for him to infiltrate the market comprising of individuals of the other mindset and religious convictions.

15.6.3 LOCAL SUBCULTURE

The way individuals lead their ways of life may likewise differ as indicated by where they live or from which part of the nation they have moved to the next piece of the nation. Individuals from a specific piece of the nation or individuals living in a specific part constitute what we call territorial or geographic subculture. On this premise, there could be two unique sorts of territorial or geographic subculture. One could be founded on geographic area of the nation and other could be founded on urban, rural or country qualification.

"Distinctive geographic districts of the nation posture diverse issues that buyers must understand. The most evident of these are the climatic conditions. Climatic conditions impact home development, garments prerequisites, and recreational chances to give some examples. In expansion, diverse districts of the nation have distinctive age conveyances what's more, extraordinary social histories. These factors in blend with the climatic factors have delivered contrasting esteems and ways of life which newcomers to a locale by and large get after a timeframe. These territorial varieties impact the utilization of specific media, the sorts of items utilized, and the item properties considered vital." Contrasts in locale impact the kind of items utilized also the way they are delivered and utilized. Indians, for instance, living in the slope regions show distinctive examples in nourishment utilization, lodging, and amusement than those of the general population living in alternate parts of the nation.

Fish is devoured by everyone in West Bengal, however dry fish is expended vigorously by individuals living in the north eastern piece of India. These are a portion of the glaring cases of territorial subcultural impacts on purchaser practices. Local subcultures plainly impact numerous parts of purchaser conduct. The utilization procedure additionally is impacted by the urban, rural, and rustic qualifications, another sort of provincial subculture. The urban, and rural individuals, for instance, lean toward prepared or moment nourishment, lean toward eating out, and make the most of their relaxation in a path unique in relation to country individuals.

15.6.4 AGE SUBCULTURE

Subcultures may likewise be founded on the age contrasts of individuals living in a similar nation and having a place with a similar primary culture. It is likely that the individuals who have a place with the young gathering will carry on uniquely in contrast to those of middle age or elderly. Since the standpoints, encounters, states of mind and different perspectives fluctuate among individuals of various age gatherings, their utilization designs are probably going to fluctuate. The young people are probably going to be impacted more by prevalent saints and courageous women and will show more materialistic ways of life. The adolescent market is a critical subculture for the advertiser. It is vital to advertisers not just in light of the fact that it is lucrative, in any case, additionally on the grounds that numerous utilization designs held all through life are shaped right now. The young, as they begin their profession in this age are parade with more extravagance things. Since they have little commitment at this age, they can spend whatever they are. Their utilization designs lean toward individual care and extravagance things. The moderately aged gathering, despite what might be expected, are developed, stressed over the future and cautious in making buy choices. As an endeavour to assemble a save for the future, they are probably going to be preservationist in purchasing numerous material merchandise, and are found to spend cash on defensive ventures.

The elderly individuals show very unique utilization practices with that of young people and moderately aged individuals. The elderly subculture comprises of individuals who have gone on retirements or whose customary pay creating exercises have stopped. They have some extraordinary qualities. Most of them live with their youngsters; their wellbeing conditions

bit by bit fall apart; have passionate troubles; have least measure of cash at hands to spend; are value/esteem cognizant; are bargain inclined; get a kick out of the chance to shop as it has unique importance; are tuned in to the broad communications; and read coordinate mail, bundle marks, and bundle embeds. These couple of attributes make them carry on uniquely in contrast to different gatherings. In light of their contrasts with different gatherings, they likewise require diverse sorts of items.

The elderly individuals, in light of falling apart wellbeing, will require more fat free sustenances, tonic things, therapeutic advices and prescription and additionally hospitalization. Since they have restricted salaries, they lean toward correlation shopping. Due to their development and distinctive mentalities, they are suspicious of promoting claims and are affected more by the educated sources. The development of elderly market has made a requirement for some distinctive sorts of items, for example, old individuals' home, wellbeing clubs and a number of different items and administrations.

Advertisers confront parcel of issues and difficulties in achieving elderly market. The correspondence methodology, especially planned to achieve elderly market ought to be well idea. "One noteworthy reason that old individuals are rarely tended to specifically in publicizing is that they despise being portrayed as old. A child nourishment producer, perceiving that elderly people were eating the item as a result of dental issues, presented another line of senior nourishments. This about demonstrated unfortunate in light of the fact that more established individuals wanted to assert that they were purchasing infant sustenance for their grandchildren. Individuals aversion to admit to themselves or others that they are never again youthful. The best interchanges are those that demonstrate a blend of age bunches utilizing the item."

Brilliant advertisers have been sensitive to the requirements of elderly buyers and have been fastest to understand their incentive as clients.

15.6.5 SUBCULTURE BASED ON SINGLES

The singles subculture comprises of unmarried people. The periphery of this subculture is progressively getting to be noticeably conspicuous to call uncommon advertising consideration. They could be deferring marriage; delay of marriage; higher separation rates; failure to discover an appropriate wellspring of winning to manage family uses et cetera.

Advertisers who can perceive their particular needs and can create items gone for meeting those particular needs can harvest a significant advantage. Singles night clubs, intriguing phone talk administrations, dating administrations, single guys' lodgings/mess, item that guarantee sex claims, accommodation nourishments, eateries, sports gear, and so on., could be a portion of the cases of items and administrations gone for the subculture of singles.

15.6.6   GENDER BIASED SUBCULTURE

Subculture may likewise be framed in view of sexual orientation contrast, for example, subculture of guys and subculture of females. Since each general public stresses unmistakable, particular parts for men and ladies, they are probably going to carry on in an

unexpected way. As their practices change, they expend distinctive sorts of items and react distinctively to promoting offers. Men for illustration are impacted more by forcefulness, aggressiveness, freedom, fearlessness, and manliness. Ladies on the other hand, are affected by tidiness, tenderness, judgment, loquacity, and feminity. There are items which are similarly utilized by men and ladies.

In any case, extraordinary interests in a similar item are required for these two gatherings. Beautifiers, aromas, apparel, bikes and so on., are utilized both by men and ladies. In any case, you realize that diverse plans, hues, sizes, shapes, and scents are accommodated by the advertisers to bid individuals. Bike, for instance, is planned distinctively for men and ladies. Indeed, even limited time requests are made diverse for these two gatherings. Once more, among the females, the individuals who are experts carry on uniquely in contrast to those of non-experts/housewives.

Individuals show diverse examples of procurement practices as per their word related inclusion. Individuals of various occupations may constitute word related subcultures. A resistance officer, for instance, will demonstrate diverse buy conduct than somebody having a place with the regular citizens' society. Specialists' for instance, may take a gander at the nourishing viewpoint while purchasing a sustenance thing. Advertisers ought to perceive the distinctions in states of mind and practices among individuals of various occupations and figure showcasing systems in like manner to be effective in each particular subculture.

15.6.7 SUBCULTURE BASED ON SOCIAL CLASS

Rich individuals will show by and large unique purchasing conduct than those of center class and poors. Rich will be exceptionally particular in their buys; individuals of the white collar class will have significant control over their utilization choices; poors on the other hand will be extremely watchful and mindful in taking their buy choices. The subculture of neediness comprises of individuals living beneath the neediness line. Due to their low wages, they will abstain from purchasing pre-pressed, moment. As they have constrained instructive openings, they create diverse states of mind, viewpoints, and inspiration bringing about various purchasing practices with respect to them. The vast majority of their salaries are spent on essential necessities, for example, sustenance, and lodging. Just a little measure of their salaries are spent on attire, transportation, diversion, and extravagance. They essentially take a gander requiring little to no effort things, support shops where they get credit, and are pulled in by various actuations advertised by the advertisers.

15.7 SUBCULTURAL DIFFERENCES AFFECTING MARKETING DECISIONS

On account of the essential contrasts inside any culture, advertisers must know about different subcultures - looking at them independently and on their claim terms. We realize that, those related to a subculture tend to think also, act alike in specific regards, and this has imperative ramifications for their way of life. Acknowledgment of this has prompted

experimentation with showcase division as a method for creating compelling showcasing procedure adjusted to advertise focuses on that are accepted to have extraordinary guarantee.

To manage these distinctions viably, advertisers may need to adjust their item, appropriation frameworks, cost, or advancement to fulfil individuals from specific subcultures.

A specific subculture goes up against significance in advertising on the off chance that it constitutes a noteworthy piece of the populace and particular acquiring examples can be related to it. Advertisers ought to likewise remember that, in all actuality, subculture is not an adequate reason for showcase division. They have to know about how subcultural qualities impact purchasing conduct. Besides, they ought to likewise hold up under as a top priority that one sub cultural foundation may associate with different perspectives, for example, social class, identity, way of life et cetera amid the purchasing choice process. Advertisers ought to be keen on subcultures to the degree that they can serve their interesting needs. Advertisers ought to comprehend that, if the individuals from a subculture, regardless of how particular from the prevailing society, don't vary in their requirements and practices related with a specific item region, the subculture does not require acknowledgment as a different gathering.

Understanding subcultures help advertisers to concentrate on sizeable and common advertise fragments. Advertisers ought to likewise remember that, similar to culture, subcultures additionally change. In this manner, constant observing of subcultural attributes may enable advertisers to bring proper changes in advertising.

For a fruitful customer oriented market specialist co-op should act as psychologist to gather customers. By remembering influencing factors things can be made positive and objective of purchaser fulfillment can be accomplished. Investigation of the buying behaviour of consumers is central to becoming successful at the market place.

Check Your Progress-B

Q1. Define the term 'Cultural Rituals' with the help of examples to bring out its importance in the customer buying process.

Q2. Briefly elaborate on the dissimilarities in the buying pattern of the youngsters to that of the older generation.

Q3. What is meant by 'Subcultures'. Elaborate on the important elements that define Subculture.

15.8 SUMMARY

In this unit you learnt that social components incorporate arrangement of characteristics and rationalities of a particular gathering or assembling of individuals. It is the lifestyle of a man which picks the way he/she goes ahead. In less troublesome words, culture is just estimations of a man. What an individual increases from his people and relatives as a child transforms into his lifestyle. You also learnt that Culture alludes to the combined store of information, encounter, convictions, values, states of mind, implications, progressive systems, religion, thoughts of time, parts, spatial relations, ideas of the universe, and material items and belonging gained by a gathering of individuals over the span of eras through individual and group striving. Further, Subculture tend to think and act alike in specific regards, and this has essential ramifications for their ways of life. Acknowledgment of this has prompted experimentation with showcase division as a method for creating compelling promoting procedure adjusted to showcase focuses on that are accepted to have extraordinary prospect.

15.9 GLOSSARY

Custom- A custom "is an arrangement of exercises including motions, words, and protests, performed in a sequestered place, and performed by set succession".
Ethnic subculture- The ethnic subculture depends on the nationality of one's precursors who have relocated to another nation.

15.10 ANSWERS TO CHECK YOUR PROGRESS

Check your progress A

4. MCQ

i. d   ii. c   iii. c   iv. b

5. Fill in the blanks

i. Functional policies

ii. Objectives

iii. Appealed policy

iv. Business environment

Check your progress B

6. MCQ

i. a   ii. d   iii. c   iv. c   v. b

7. Fill in the blanks

i. Advertising   ii. Fraud   iii.ASCI   iv.Policy   v.Agenda Setting

Check your progress C

6. MCQ

i. a   ii. c   iii. b   iv. b

7. Fill in the blanks

i. Word of mouth   ii. Advocates   iii.Campaigns.   iv. Customer Advocacy

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15.13 TERMINAL QUESTIONS

Q1. Define the term 'Country-of-Origin'. State how 'Country-of-Origin'has an impact on the consumer buying behaviour.

Q2. How do subcultural differences affect marketing decisions?

Q3. Discuss the different sub cultural categories along with suitable examples.

Q4. Discuss the different sub-cultural factors which have a direct bearing on the consumer buying behaviour.

Q5. Discuss the different cultural factors which have a direct bearing on the consumer buying behaviour.

UNIT 16 SUBCULTURAL AND CROSS-CULTURAL SEGMENTATION

16.1 INTRODUCTION

Culture has very important role to play in deciding what we buy and consume. It has always been interest of marketers to study the influence of culture on consumer behavior. The goods we purchase, food we consume and the way we decorate and organize our home as well as work place all are deeply influenced by the culture that we belongs to. Minor changes are visible as we move even small distance which can change our preferences for consumption. These sub cultural groups within a cultural system makes subculture.

16.2 OBJECTIVES

In this unit you will learn about;

- Culture and its implications
- Role of culture in consumer behavior
- What makes culture of a place or group
- Segmentation through sub culture

16.3 MEANING OF CULTURE

Culture can be defined as "personality of a society". It is also defined as the ideas, culture and social behavior of a particular people or society. It is broad and exists everywhere in nature, inclusive of language, customs and traditions, norms and laws, religion, art and music, etc. It also includes the interests of the people, the work practices and orientations, as also their attitudes towards general and specific issues. Culture defines precisely, the do's and dont's of a society, and specifies all that is acceptable and all that is not acceptable. It is the reflection of values and beliefs that are widely accepted by members living in a society. The members of a society subscribe to the various values, beliefs and norms, and this gives strength to a society's culture. This does not imply that cultures are truly rigid; in fact, they evolve and adapt to changing situations and times.

Culture is unique in itself and differentiated from others; it is further classified into various sub-cultures. Culture is also trans-generational, and is passed on from one generation to another. A study on our culture requires an elaborate and detailed inquiry into the very character and personality of the society that we live in. The culture of a society also has a bearing on buying patterns and consumption behavior. In terms of consumer behavior,

Culture can be defined as "That complex whole which includes knowledge, belief, art, morals, custom, and any other capabilities and habits acquired by man person as a member of society." Schiffman defines culture as "the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society".

The products or brands used by the consumers depend heavily on their cultures. Taking example we can observe that the clothes they wear or the food they all depend on their culture and their traditions.

16.4 CHARACTERISTICS OF CULTURE

1) The existence of culture is omnipresent. However it differs from place to place and between population groups. Certain important characteristics of culture can be identified that explains culture irrespective of its type. These characteristics are given below.
2) Culture is natural and spreads naturally into the system: Conscious awareness of cultural standards is limited and people behave and reflect their culture naturally . One American

spy was intercepted by the Germans during World War II simply because of the way he held his knife and fork while eating.

3) Culture helps in satisfaction of needs: We are strongly bonded with the culture we belong to. Those actions, products and services that confirm with our culture have ability to give higher satisfaction to us in comparison to those products that are not in confirmation with our culture.

4) Culture is learned: Culture is not inborn; it is learnt as a result of socialization process and through interaction with family, friends and other members of society..

5) Culture is shared and collectively accepted: Culture is manifested within boundaries of acceptable behavior. For example, in American society, one cannot show up to class naked, but wearing anything from a suit and tie to shorts and a T-shirt would usually be acceptable. Failure to behave within the prescribed norms may lead to sanctions, ranging from being hauled off by the police for indecent exposure to being laughed at by others for wearing a suit at the beach.

6) Culture is dynamic in nature: Cultures fall somewhere on a continuum between static and dynamic depending on how quickly they accept change. For example, American culture has changed a great deal since the 1950s, while the culture of Saudi Arabia has changed much less.

7) Culture is comprehensive: This means that all parts must fit together in some logical fashion. For example, bowing and a strong desire to avoid the loss of face are unified in their manifestation of the importance of respect.

16.5 COMPONENTS OF CULTURE

Understanding of culture is possible by identifying the component that culture is made of. Having a sound understanding of culture components is necessary to study culture and sub culture of any group or place. The important differences between different cultures or sub cultures may lie within these cultural components.

1)   Customs: Customs are the practices that formulate the established way of doing things and reflect culturally accepted patterns of behavior. They reflect practices that are permanent and are so long established; in other words they are conventions. People in a social system follow such practices collectively, and the habitual activity gets transmitted from one generation to another.

2) Language: Man needs to communicate with others. Language is used as a means to communicate with people in a social set up. It is the common language that binds together the people in a social structure.

3)   Values: Values are the beliefs and ideals shared by the people of a society, for which they have great respect and regard. They could assume both positive (do's) and negative (dont's) and are indicative of appropriate thoughts, feelings and acts of behavior.

4)   Myths: Myths are the legendary tales and stories that teachvalues to the society. They could be imaginary and fictitious and consists of characters that are gods, heroes and common men, ultimately aimed at giving lessons to the people, with respect to the causes and effects, good and bad, right and wrong, etc. Myths describe the values that members of a social structure should share.

5)   Laws: Laws are principles, rules and regulations that are formulated/sanctioned by an authority (ruler, government, constitution etc.), and supported/protected by judicial authority. Their basis can actually be found in the society's values, customs, and rituals. They are written collection of rules and regulations to be adhered to by the people, and non-adherence to which would lead to legal action from the judiciary.

Check Your Progress-A

Q1. Define Culture.

Q2. What are components of culture?

Q3. List important characteristics of culture?

Q4. MCQs

    i.   Culture is:
       a. Shared   b. Dynamic

      c. Not born   d. All of these

ii.   Practices that formulate the established way of doing things and reflect culturally accepted patterns of behavior is:

      a. Myth   b. Language

      c. Customs   d. Values

iii.   One of the following is not the characteristics of culture:

      a. Culture is learned   b. culture is omnipresent

      c. Culture is constant   d. Comprehensive

Q5. Fill in the Blanks with appropriate word or words.

i.   _____ are the legendary tales and stories that teach values to the society.
ii.   Beliefs and ideals shared by the people of a society, for which they have great respect and regard is _____.
iii.   People behave and reflect their culture _____.

16.6 MEANING OF SUB CULTURE

A group that has beliefs and behaviors that are different from the main groups within a culture or society is sub culture. While culture is defined as the "personality of a society", (inclusive of language, customs and traditions, norms and laws, religion, art and music, etc), it is not entirely homogenous in nature. Not all people within a social system share the same language, religion, customs and traditions. Every society is composed of smaller sub-units, homogenous within, and heterogeneous outside, all of which when put together make a complex society. Such sub-units or sub-groups are known as sub-cultures; people within sub-cultures possess distinctive sets of values, beliefs, customs and traditions etc. The members of a subculture possess such values and beliefs, as also customs and traditions that set them apart from people belonging to other sub-cultures.

A single culture can be broken up into various consumer subcultures. A subculture can be defined as a culture that is not dominant in its society. As consumers from various sub-cultures, we are different to each other. We have varying values and beliefs, customs and traditions, etc. These get reflected in our perspectives and orientations that influence our purchase patterns and consumption behavior.

For example, while we are all Indians, and our culture is Indian (with a common national language, Hindi, and common festivals like Diwali), North Indians are different from South Indians. While North Indians intake chapati, pulses (daal), rice and vegetables in their food

but if we talk about south Indians their food intake is generally Dosa and Idly. These two are made with rice. We can say that their intake is rice in majority. Another example is that in north India they celebrate a harvest festival in January called as Lohri whereas in south India they celebrate Pongal as their harvest festival.

16.7 SUB CULTURE AND GEOGRAPHICAL LOCATION

As mentioned above, although subculture is conceptually based on cultural values, it more specifically refers to a subgroup within a society, usually identified by a particular region. Although the geographic location of a subculture often overlaps with political borders, it has been suggested that the permeability of country borders permits cultural values to transcend the borders. It then seems plausible that individuals may adopt the geographic criterion as a basis for the initial identification of a particular subculture.

16.8 TYPES OF SUB CULTURE

The sub culture is part of a large culture usually called as dominant culture. Dominant culture is shared by large number of person of a place. The roots of dominant culture are deep and strong. However within a dominant culture there exists some variation that allows sub grouping of people in culture. These sub culture can vary of one of following factors giving rise to a new sub culture. The various subcultures that could be identified based on minor variations of dominant culture could be of following types.

1) **Nationality**: Sub-cultures could be based on nationality. While we are all Asians, we are distinct with respect to culture, and are different in terms of language, customs and traditions etc. Thus, we are classified as Indians, Chinese, Sri Lankans, Pakistani etc.

2) **Religion**: When it comes to people it comes to different religions. Hindus, Muslims, Christians, Sikhs, Parsis etc. are all different from one another and have different values and beliefs, customs and traditions etc. Consumers make their purchase decisions and purchase decisions influenced by their holy book, scriptures and by the dictate of their holy gurus.

3) **Geographical Location**: Within a country, we could be different across geographic boundaries, climatic conditions, regions, terrains, and density of population. This is more in cases where the country is large and borders spread across a huge population occupying a vast territory. People develop regional affinity and identification, and this could be observed in the food they eat, clothes they wear, interests they pursue, etc. They constitute as distinct sub-cultures and people across such sub-cultures are different to each other. For example, we can be classified as North Indians and South Indians.

4) **Gender:** Males and females perform different roles in society and are two distinct sub-groups. Now days both men and women are performing such roles that they did not perform earlier. Product usage is common to both man and woman. Similarly products like shavers

and razors exclusive to usage by men, are also being used by women (Gillette thus introduced a razor for women). All this has brought about a big socio-economic change and led to cultural transformation. The values espoused by the generation of today is much different to the one espoused by the previous generation. The pace of change has been further accelerated with households no longer being single income households, but turned to dual-income households. The role of women is no longer restricted to bearing children and managing the home. Women have started working outside, and are contributing to household income. This has impacted consumer needs and wants as also the priorities.

5) **Race and Caste**: Culture and its components also vary across race and caste. Rajput, Pathan, Yadav are all different from one another. Such racial sub-cultures also impact buying behavior and consumption patterns.

6) **Age**: People with different ages like teenagers, adults, adolescents etc. may all be looked up as distinct sub-groups. They have different values and beliefs, and all this impacts upon their priorities in life. Daily lifestyles, activities and interests, fashion and accessories, food and diet, etc. receive varying priorities across the various sub-groups. For example, an aged person would give priority to health and go in for nutritious home food as opposed to young man who would give priority to fast food. Now a days it is a rising trend amongst kids, adolescents and the young towards junk food, and they constitute a lucrative segment for restaurants providing fast food.

16.9 HOFSTEDE'S DIMENSIONS FOR CULTURAL DIFFERENCES

GertHofstede, a Dutch researcher, had interviewed a large number of IBM executives in various countries, and found that cultural differences tended to centre around four key dimensions. These dimensions are:

1. Individualism vs. collectivism: To what extent do people believe in individual responsibility and reward rather than having these measures aimed at the larger group? Contrary to the stereotype, Japan actually ranks in the middle of this dimension, while Indonesia and West Africa rank toward the collectivistic side. The U.S., Britain, and the Netherlands rate toward individualism. Shopping behavior is known to be highly influenced and

2. Power distance and hierarchy: To what extent is there a strong separation of individuals based on rank? Power distance tends to be particularly high in Arab countries and some Latin American ones, while it is more modest in Northern Europe and the U.S. Power distance belief are important social character that influences the segmenting and positioning of products. India is a high power distance belief country where products are segmented as economy, upscale, bridge to luxury, luxury.

3. Masculinity vs. femininity: It involves understandingimpact of consumer gender their behavior. "Masculine" values involve competition and "conquering" nature.They tend to favorably evaluate products poisoned on this aspect. While "feminine" values

involve harmony and environmental protection.   Countries differ in their masculinity character. Japan is one of the more masculine countries, while the Netherlands rank relatively low. The U.S. is close to the middle, slightly toward the masculine side. (The fact that these values are thought of as "masculine" or "feminine" does not mean that they are consistently held by members of each respective gender—there are very large "within-group" differences. There is, however, often a large correlation of these cultural values with the status of women.)

4. Dealing Uncertainty: Some cultures have proactive approach towards uncertainty while others have avoidance approach. Avoidance involves the extent to which a "structured" situation with clear rules is preferred to a more ambiguous one; in general, countries with lower uncertainty avoidance tend to be more tolerant of risk. Japan ranks very high while few countries are very low in absolute sense, but relatively speaking, Britain and Hong Kong are lower, and the U.S. is in the lower range of the uncertainty avoidance.This character of society has lots of implication for marketer. Consumers can ne grouped on the basis of their risk taking profile. Those with high risk ability are willing to try new technology, innovative products and even pay higher price for such products. Consumers high on uncertainty avoidance are loyal to brands and prefer known products.

5. Long term – Short term outlook: Although Hofstadter's original work did not mentionlong term vs. short term cultural orientation of consumers; it is accepted as a fifth dimension. In the U.S., managers like to see quick results, while Japanese managers are known for take a long term view, often accepting long periods before profitability is obtained.

16.10 CHALLENGES OF SUB CULTURE SEGMENTATION

It is also significant to note that it is not always easy to agree upon all the elements that distinguish the sub culture or the various regional subcultures. Individuals and groups may vary in their evaluation of what is required to claim their identity in general. There is usually little clarity that what interests of people relates to a particular subculture. The bigger challenge lies in fact that many times members of sub culture themselves could not tell the binding factor. Identifying and developing market segments based on sub culture is difficult and creative task syncretism. Syncretism is the combining of different beliefs, while blending practices of various schools of thought. Syncretism involves the merging or assimilation of several originally discrete traditions, especially in the theology and mythology of religion, thus asserting an underlying unity and allowing for an inclusive approach to other faiths leading to a sub culture. Syncretism also called as eclecticism when occurs especially in expressions of arts and culture. For example Guaranties in UK comprises of people from all religion who are originally from Gujarat state of India named after language that they speak. In UK bird eye view shows that Guajarati community are cohesive group that has striking similarity in terms of culture., but a closer look reveals that their exists fine differences that

can't be easily identified among the Guajarati community that has deep impact on what they buy and consume.

Four conceptual problems on subculture that makes segmentation a tedious task are expressed below:

(1) Subculture has often been treated as synonymous with the population comprising the sub-society.

(2) Subculture has been examined without sufficient concern for delineating the group of individuals serving as its referent, making identification judgment faulty.

(3) Sub-cultural system is generally pictured as homogeneous, static, and closed making the segment inaccessible.

(4) Subculture is depicted as consisting in its entirety of values, norms, and central themes.

Despite these challenges subculture segmentation has been considered important for penetrating market. Continuous research is bringing new insights to marketers to tackle the problems related with sub culture segmentation.

16.11 UNDERSTANDING SUBCULTURE

Understanding culture and subculture of a place is related with three concepts Enculturation, Assimilation and Acculturation. Marketers have come to realize that an understanding of enculturation, acculturation and assimilation are critical.

1. Enculturation is the learning of one's first culture and is a process that all humans born into a social group experience.
2. Acculturation is learning the culture of others while maintaining faith in one's own culture. The other culture is second culture for the person.
3. Assimilation is learning other culture and giving up own culture due merits seen in other culture in comparison to one's own culture.

Individuals become part of a culture by learning the morals, values, orientations, and perceptual patterns of their social surroundings. Enculturation fundamentally consists of language and ethnic identity. It has been noted that enculturation is usually pervasive and difficult to erase and is expected to affect the way in which immigrants adjust to a second culture. People in a society vary in degree to which they valued keeping their original culture orientation, and the degree to which they found it valuable to maintain a relationship with a second culture. It has been found that those who value their primary culture and do not care for a second culture tend to separate from the second culture by segmenting with those who have similar values and tend to keep their primary tradition. Individuals that want to maintain their original culture and also relate to their second culture integrate or acculturate, and those who do not value maintaining their original culture and find the new culture more worthy assimilate the new culture, as illustrated in Figure 16.1.

EnculturationAcculturation

Assimilation
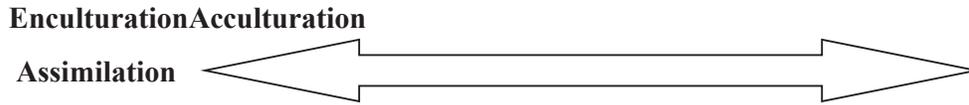
Figure 16.1 - The Acculturation Process

Acculturation is frequently defined as the culture exchange that is initiated by the conjunction of two or more autonomous cultural systems; it may be the consequences of direct cultural transmission, it may be derived from non-cultural causes. It often occurs when continuous direct or indirect contact of groups of individuals having different cultures results in changes in the original culture patterns. There are three phases of acculturation:

1. Contact: When a person comes in contact of some other culture.
2. Conflict: Conflict arises when the person confronts the need for personal and inward cultural change and then has to choose what part of the old culture he/she must giveup and what new parts to incorporate.,
3. Adaptation: Finally the person accepts certain elements of other culture and starts treating its own culture.

Assimilation occurs when a group chooses not to retain its original values and reject behaviors of the majority of their own culture. This occurs by learning and adapting to new or different cultural elements in place of own original culture.

Check Your Progress-B

Q1. Define sub Culture.

Q2. What is dominant culture?

Q3. Subculture is understood Geographically?

Q4. Describe process of understanding culture?

Q5. What are the phases of acculturation?

Q6. What factors lead to sub culture distinctions?

Q7. MCQs

    i.   Sub Culture is

       a. Part of Dominant Culture   b. Common to many cultures

       c. Nothing common with dominant culture   d. Exists only in India

    ii. Existence of sub culture is

       b. Rare   b. Chance based

       c. Only in India   d. Common

    iii. Enculturation is

       a. Learning own culture   b. Learning other culture

       c. Practicing other culture   d. Rejecting a culture

    iv. Enculturation is

       a. Learning own culture   b. Learning other culture

       c. Practicing other culture   d. Rejecting a culture

Q8. Fill in the Blanks with appropriate word or words.

    i.   Culture followed by large number of people in society is _____.

    ii.   Male and female perform different functions in society and form two different

        _____.

    iii. The _____ is part of a large culture usually called as dominant culture.

iv.   Conflict in own and other culture is part of _____.

16.12 MEANING OF CROSS CULTURE

Meaning assigned to cross culture could be understood by following definitions. When the culture differs by different countries it is called as cross culture. Sometimes differences across borders and continents it is also known as cross culture.

Cross culture is entirely different from the sub culture. From marketing point of view it is necessary to have knowledge about cross culture because business is not limited to a certain region is spread worldwide. To succeed, international marketers must understand the nature and extent of differences between the consumers of different societies—"cross cultural" differences—so that they can determine whether they can use a similar marketing strategy across different countries or develop somewhat different or even rather unique and differentiated marketing strategies for specific foreign markets.

16.13 MARKET SEGMENTATION

Market segmentation is to divide the market into smaller segments. It is done to make it easier to address the needs of the consumers particularly if they have some common characteristics.

16.13.1 SEGMENTING INTERNATIONAL MARKETS

However, many organizations operate very large markets. But operating in many countries present new challengesto the marketers. Different countries of world, even those close together, can differ in their economic, political, legal and cultural factors. Such international firms recognize that because the market's size so large it may not be possible to serve entire population of market effectively.

Some companies attempt a global "geocentric marketing" strategy considering whole world as common market, such companies follow global segmentation. However it is obvious that world is not homogenous. Therefore many firms find it necessary to differentiate their marketing policies to a certain extent either on a country-by-country basis or by region; these companies polycentric marketing.

Large companies can segment international market using one or a combination of segment variables. They can segment according to geographic location, grouping countries by region such as Africa, the Western Europe or South-east Asia. They can also segment by sub-cultural units, such as Arab world or Latin Americans.

In this chapter our main aim is to go through the sub cultural and cross cultural segmentation so we will focus on the following two:

16.13.2 SUB CULTURE SEGMENTATION

People of a particular subculture share some unique values, beliefs and norms of behavior. Also, one's belongings to which subculture are largely determined by the geographic location of a person and subculture is rather a matter of choice. Marketers segment overall societies into smaller subcultures. Usually, they usecultural segmentation to determine a culture's influence on a society as each of these cultural elements influence the consumption behavior. Marketers should deeply be aware of cultural impacts on consumer behavior.

Moreover, sub-cultural analysis helps marketing managers to focus on sizable and natural market segments. Also, these analysis are useful for marketers to decide whether the beliefs, values and customs shared by members of a particular sub-group make them candidates for special marketing attention. Certain ways of understanding subculture for segmentation point of view are as follows:

1. Start to understand how to segment a population instead of using racial and ethnic markers.
2. Understand how a particular subculture and their values and/or beliefs influence a person's connection to a particular product, celebrity, and ultimately the person's behavior.
3. In order to understand the influence of subculture, it is important to understand the acculturation process and what effects it has on an individual within a particular subculture.

16.13.3 CROSS CULTURAL SEGMENTATION

In this kind of segmentation marketers are very careful about their strategies. The markets are to be divided internationally or across different continents. The cultures are entirely different from one another. Consumers may have same or different preferences. It is also possible that two countries may differ substantially in the level of consumption or use of products or services. Taking example of food habits, according to Indian culture the majority of vegetarians is much more as compared to other cultures but if we talk about American culture almost all are non vegetarians. When McDonald entered Indian market after a huge market research they used two different kitchens one for vegetarian order and other kitchen for the non vegetarian but in America the kitchen is common for vegetarians and non vegetarians. The consumer preference plays a crucial role in cross culture segmentation. Taking another example of McDonald Roland McDonalds is Donald McDonald in Japan. Japanese menu includes green tea milkshakes and corn soup.

Check Your Progress-C

Q1. Define Segmentation.

Q2. How culture is important in international segmentation?

Q3. What is sub culture segmentation?

Q4. What is cross culture segmentation?

Q5. How subculture segmentation could be done?

Q6. Discuss role of segmenting international markets.

Q7. MCQs

i.   Segmentation is possible if consumers can be grouped based on:

    a. Known needs   b. Common needs

    c. Latent needs   d. cultural needs

ii.   Existence of sub culture is

    c. Rare   b. Chance based

    c. Common   d. Only in India

iii. Operating in many countries present _____for the marketer

    a. New challenges   b. Opportunities

    c. Cultural differences   d. all of them

iv.   Polycentric marketing is

    a. Whole world as one market

    b. Selective segmentation

    c.   Accepting differences in markets across the world

    d. None of them

Q8. Fill in the Blanks with appropriate word or words.

i.   Segmentation is dividing market into _____groups.
ii.   When the culture differs by different countries it is called as_____._
iii. People of same sub culture posses same _____.
iv.   The consumer _____plays a crucial role in cross culture segmentation.

16.14 SUMMARY

Culture can be defined as "personality of a society". It is also defined as the ideas, culture and social behavior of a particular people or society. It is broad and exists everywhere in nature, inclusive of language, customs and traditions, norms and laws, religion, art and music, etc.

Culture can be defined as "That complex whole which includes knowledge, belief, art, morals, custom, and any other capabilities and habits acquired by man person as a member of society."

Understanding of culture is possible by identifying the component that culture is made ofCustoms, Language, Values, Myths, Laws.

A single culture can be broken up into various consumer subcultures. A subculture can be defined as a culture that is not dominant in its society. As consumers from various sub-cultures, we are different to each other. We have varying values and beliefs, customs and traditions, etc. subculture is conceptually based on cultural values,

Subculture is more specifically refers to a subgroup within a society, usually identified by a particular region.The various subcultures that could be identified based on minor variations of dominant culture could be of following types: Nationality, Religion, Geographicallocation, Gender, Race and Caste, Age.

Cultural differences tended to centre around four key dimensions

1. Individualism vs. collectivism
2. Power distance and hierarchy
3. Masculinity vs. femininity
4. Dealing Uncertainty
5. Understanding culture and subculture of a place is related with three concepts Enculturation, Assimilation and Acculturation.

 Individuals become part of a culture by learning the morals, values, orientations, and perceptual patterns of their social surroundings. Enculturation fundamentally consists of language and ethnic identity.

Marketers segment overall societies into smaller subcultures. Usually, they use cultural segmentation to determine a culture's influence on a society as each of these cultural elements influence the consumption behavior.

16.15 GLOSSARY

Culture is the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society

Customs are the practices that formulate the established way of doing things and reflect culturally accepted patterns of behavior

Values are the beliefs and ideals shared by the people of a society, for which they have great respect and regard.

Myths are the legendary tales and stories that teach values to the society.

Enculturation is the learning of one's first culture and is a process that all humans born into a social group experience.

Acculturation is learning the culture of others while maintaining faith in one's own culture. The other culture is second culture for the person.

Assimilation is learning other culture and giving up own culture due merits seen in other culture in comparison to one's own culture.

Cross culture-occurs when the culture differs by different countries.

16.16 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. i. d   ii. c   iii. c

Q5. i. myths   ii. social value   iii. naturally

Check Your Progress –B

Q7. MCQ

i. a   ii. d   iii. a   iv. A

Q8. Fill in the blanks

i. Dominant Culture
ii. Sub group
iii. Subculture
iv. Acculturation

Check Your Progress –C

Q7 MCQ

i. b   ii. c   iii. d   iv. c

Q8. Fill in the blanks

   i. Homogeneous   ii. Cross culture   iii. Unique values iv. Preferences

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16.19 TERMINAL QUESTIONS

Q1. Describe meaning and characteristics of culture.

Q2. What are various components of culture?

Q3. Discuss Hofstede's dimensions for cultural differences.

Q4. Explain meaning of cross culture.

Q5. Discuss role of segmenting international markets.

UNIT 17 PUBLIC POLICY AND CONSUMER ADVOCACY IN CONTEXT OF CONSUMER BEHAVIOUR

17.1 INTRODUCTION

Befits of advertising to consumer is matter of debate. There are many groups who genuinely believe that advertising is beneficial to consumer where as many strongly believe that consumers are highly venerable and most of the times marketers manipulate them and derive undue advantage. The role of government is expected to be such that it helps consumers and protect them from any sort of manipulations. Public policy is must be such that it reduces any vulnerability that consumers may face.

17.2 OBJECTIVES

At the end of this unit you will be able to learn;

- What public policy means
- How public policy is beneficial to consumers
- Role of public policy in advertising
- How public policy is developed
- Consumer advocacy and its features
- Importance of consumer advocacy

17.3 POLICY IN MANAGEMENT

The set of basic principles and associated guidelines, formulated and enforced by the governing body of an organization, to direct and limit its actions in pursuit of long-term goals. Thus policies are specific guidelines and constraints for managerial thinking on decision making and action. Policy is both a process as well as a product. It is used to refer to a process of decision making and also the product of that process. From the overall discussion it could be said that policies are the predetermined decision rules applicable for a range of managerial decisions and actions.

17.4 CHARACTERISTICS OF POLICY

1) Policy should help in achieving the organization's objectives.
2) Policies should not be mutually contradictory and there should not be any inconsistency between any two policies which may result in confusion and delay in action.
3) They should be sound, logical, flexible and should provide a guidance in future planning and action. Further, they should provide limits within which decisions have to be made.
4) Policies should reflect the internal and external business environment.

5) Policies should be in writing and the language of the policies should be intelligible to the persons who are supposed to implement them and to those who are to be affected by them.

17.5 TYPES OF POLICIES

Policies could be classified based on source, functional and level of origination. The figure 17.1 gives a summary of classification of policies.
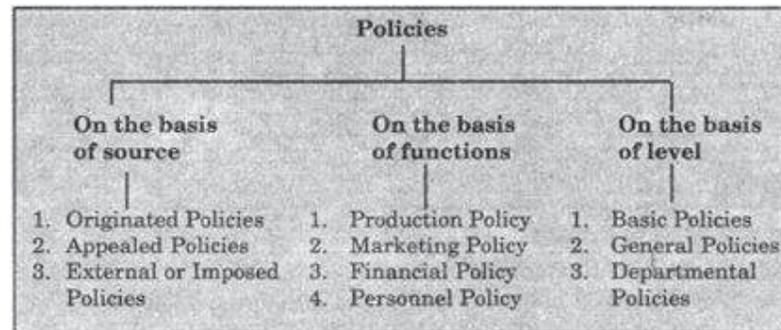

Figure 17.1: Classification of policies

1. **Originated Policies**: Formulation of these policies done by the managers. They tell subordinates how to act in a particular given situation and the subordinates are expected to follow them strictly. They are the basic policies and they have the support of organizational authorities.
2. **Appealed Policies**: If, on any matter, the subordinate is not clear about his authority to handle a situation and if that subject matter is not already covered by the existing policies, he may refer the matter for his superior's verdict. Superior's verdict generates appealed policy and thus becomes a guide for the future action of the subordinates.
3. **External or Imposed Policies**: Sometimes, outside agencies like government, trade associations, trade unions etc. may also be instrumental in the formulation of a policy by the enterprise. For example, if the government imposes a condition on the enterprises to reserve a certain percentage of jobs for the backward sections of society or for persons within the state, it becomes an external or imposed policy.
4. **Functional Policies**: Policies which are formulated for various functional areas of management are known as functional policies. Some of the examples of functional policies are: financial policy, production policy, marketing policy and personnel policy.
5. **Policies on the basis of levels**: Policies formulated on this basis may be basic policies meant to be used by top managers, general policies meant to be used normally by middle managers and departmental policies meant to be used by the departmental managers.

17.6 EFFECTIVE POLICY MAKING GUIDELINES

An effective policy is one that leads to attainment of desired goals. Policies in public domain are related directly with interest of society, hence sound and effective policy is must for good governance. Certain points are mentioned below that must be followed while preparing a policy.

1. Policies should be in writing.
2. Objectives of the organization should be clearly reflected in the policy.
3. To ensure successful implementation of policies, the top managers and the subordinates who are supposed to implement them must participate in their formulation.
4. Policies should be periodically reviewed in order to see whether they are to be modified, changed or completely abandoned.
5. Policies should not be detrimental to the society.
6. Policies must change according to the change in conditions. Hence a policy must have a reasonable balance between stability and flexibility.

Check Your Progress-A

Q1. What is Policy? What are characteristics of policy?

Q2. What are types of policy?

Q3. What points must be taken care of while preparing effective policy?

Q4. MCQs

i.   Policy is:

     a. Guideline for action   b. Enforceable

     c. Brings uniformity   d. All of these

ii.   Policy should help in achieving organizations:
     a. Conflicts   b. Expenses

     c. Objectives   d. Reputation

iii. Policy should have following quality/íes:
     a. Detrimental to society   b. Top management brainchild

     c. written and documented   d. inflexible

iv. _____ is a type of policy when classification is based on source of origination:
     a. Production policy   b. External policy

     c. Departmental Policy   d. All of these

Q5. Fill in the Blanks with appropriate word or words.

1. Policies which are formulated for various functional areas of management are known as_____**.**
2. _____of the organization should be clearly reflected in the policy.
3. Superior's verdict generates _____ and thus becomes a guide for the future action of the subordinates.
4. Policies should reflect the internal and external_____**.**

17.7 PUBLIC POLICY

Public policy is a course of government action or inaction in response to public problems. It is associated with formally approved policy goals and means, as well as the regulations and practices of government agencies that implement program pertaining to public domain. Scholars have proposed that public policies are governmental decisions and are actually the result of activities which the government undertakes in pursuance of certain goals and objectives. Scholars have explained public policy in such a manner that meaning has variations. For example look at following two examples.

One author explains Public policy as whatever governments choose to do or not to do. Another author explains Public policy as a set of inter-related decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them within a specified situation where those decisions should, in principle, be within the power of those actors to achieve". These two explanations carry variation in their meaning. Former talks about discretionary actions of government where as other talks about rationality and reasoned action a government authority to achieve some goal in interest of public.

As an academic discipline, public policy brings in elements of many social science fields and concepts, including economics, sociology, political science, program evaluation, policy analysis and public management, all as applied to problems of governmental administration, management, and operations. The term public policy can be understood by explaining the term Public and policy separately and then understanding them in composite form.

Public: It comprises domain of human activity which is regarded as requiring governmental interventions or common actions.

Policy: A purposive guideline for course of action taken or adopted by those in power to pursuit certain goals and objectives.

Together these two terms explains Public policy as guidelines and course of action by government body with some specified goals in interest of human beings and people in its territory.

17.8 FEATURES OF PUBLIC POLICY

1. Public policy is whatever government chooses to do or not to do.
2. Public policy consists of political decisions for implementing programs to achieve societal goals.
3. A public policy is a deliberate plan of actions of the government to guide decisions and achieve rational outcomes.

17.9 CLASSIFICATION OF PUBLIC POLICIES

1. Distributive Policies-These policies extend goods and services to members of an organization, as well as distributing the cost of the goods or services amongst the members of the organization. E.g. government policies that impact spending on public education or a professional organization's benefit plan.
2. Regulatory Policies- These policies limit the discretion of individuals and agencies or otherwise compel certain types of behavior. Regulatory policies are generally thought be best applied when good behavior can be easily defined and bad behavior can be easily regulated and punished..

Public policy could further be of following types:

1. Defense Policy
2. Domestic Policy
3. Economic Policy
4. Education Policy
5. Energy Policy
6. Environmental Policy

7. Foreign Policy
8. Health Policy
9. Business Policy

17.10 PUBLIC POLICY PLANNING

1. Agenda Setting: In this phase the problems and issues are defined. The gatekeepers filter out those which will be given attention either by the executive or the legislative branches.
2. Formulation: Analysis of the agenda determines how the agenda item is translated into an authoritative decision.
3. Implementation: The authorized policy must be administered and enforced by a government agency must take instructions as stated in the policy, but will probably be called upon to provide missing pieces and to make judgments as to intent, goals, timetables.
4. Budgeting: Financial resources must be brought to beat within an ongoing annual stream of budget cycles.
5. Evaluation:If goals exist, the effectiveness of the policy and its components can be determined. The feedback provided by evaluation is injected back to the agenda setting and frame new policies.

17.11 PUBLIC POLICY AND CONSUMER BEHAVIOUR

Consumer Marketing essentially deals with communication between organizations that has something to offer to public (in target market). It means involvement of transactions between the organization and its environment. The environment is not treated as whole rather broken down into groups that are internally similar. Based on one the existing conviction the common elements of marketing environment are Economy, public policy, technology and culture. The issue of ecology, recession, price rise, inflation, technological standardization and consumer disputes has led to development of policy and regulation of marketing and business activities.

Public policy in advertisements generally known as government action to provide the principled guide to action taken by the administrative or executive branches of the state with regard to a class of issues pertaining to advertisement in a manner consistent with law and institutional customs. It serves as guiding principle to advertisers as well as concerned regulating bodies.

17.12 IMPORTANCE OF REGULATION FOR MARKETING COMMUNICATIONUNDER PUBLIC POLICY

Advertising can enhances market performance by providing useful information to consumers and by allowing marketers to promote the benefits of their products and services. This also fosters better competition in the marketplace. At same time advertising may adversely affect market performance when businesses use it to transmit wrong, deceptive or fraudulent messages which can harm consumers severely.Such situations are generallyreferredas "market failure."

Market that is well established and functioning smoothly may fail at times due to various forces. The tendency of marketers to liquidate stock for profit is major source of consumer disbelief on marketers. The conflict in consumer and company may grow up to a level that can devastate the market. Government intervention and regulation hence cannot be totally eliminated even for fully developed markets. The importance for advertising could be listed as follows.

1. Fraud or deception can inject into the market imperfect information that undermines consumers' ability to exercise appropriate purchasing choices.
2. Companies are known to pursue profitability and consumer interest may get compromised.
3. Sometimes competition compels to over claim or false claims shown in advertisements.
4. Small companies can deceive consumers and fly away.
5. Not providing services claimed pre sales.
6. Showing contents in visual or print form that is anti national or against social norms.

As mentioned above advertising can distort the market by disseminating false or deceptive claims. These claims may induce consumers to purchase goods or services that, had the consumers not been misled by the deceptive advertising, they would not have chosen to buy. When this happens, the government may need to step in to restore the integrity of the market. It may take various steps, including case-by-case law enforcement to prevent false and deceptive advertising and issuance of regulations to address particular practices that mislead consumers about material attributes of goods and services in the market.

In addition to case-by-case law enforcement action against advertisers who disseminate false or deceptive claims about their products or services, Advertising Standards Council of India (ASCI), self-regulatory voluntary organization of the advertising industry in India, also provides guidelines of fair advertising.

17.13 EVILS OF ADVERTISEMENT FOR CONSUMER AND PUBLIC

The evil or misleading advertisements can bring small low cost problem as well as high cost problem to consumers. For example one of the biggest and most costly decisions the average Indians make concerns borrowing money to purchase of a home. Advertising regulation may

enforce laws and regulations that require lenders to disclose fully the terms of loans offered for this purpose to ensure that the consumer knows precisely what obligations he or she is incurring by "taking" the loan.

The ill effects of advertising may broadly occur in following three manners.

1. Deception: Advertisement claims to provide to the consumer a product that will perform as advertised. The public policy regulation may ask advertisers that not only that advertising claims be truthful, but also, that they should not mislead consumers about material and objective aspects of the product or service to which they relate. The United States where there is regulatorycommission has policy statement on Deception that states: "The Commission will find deception if there is a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment."

2. Unfairness: The concept of unfairness potentially is so broad that chances of overregulation are quite possible. It could include virtually any practice that regulators do not like for one reason or another. Because of the potential breadth of unfairness, it is important that the regulators have a well-articulated standard for delineating this authority. Otherwise, the law could result in having the government makes choices it thinks are good for consumers, instead of allowing consumers to make decisions for themselves. India does not have a clear definition of Advertising unfairness,.

3. Fraud: The flow of imperfect information through advertisement results in fraud. Fraud by the producer or seller violates an implicit or explicit offer to provide for a price, goods or services with particular attributes that have been advertised to attract consumer interest. When a seller induces the purchase of products or services by claiming such attributes and function for buyer that he knows are unlikely to perform as claimed or to meet the consumer's needs as promised, the seller cheats the system and causes consumer injury.

17.14 DILEMMA OF REGULATION AND NO REGULATION

Freedom should not become freedom for exploitation; hence a fair degree of regulation is must. As far as advertising is concerned two very different quotations are given below explaining its trustworthiness.

The first is from one of the founding fathers and early presidents of the United States, Thomas

Jefferson, who said, "Advertisements contain the only truth to be relied on in a newspaper."

The second is from a noted British author, H.G. Wells, who said, "Advertising is legalized lying."

As these quotations suggest, controversies over advertising are not a recent phenomenon. It existed for long past with had varying severity. The good and bad components of advertising had been a matter of discussion for long time. It has been projected by different groups the way it serves their interest. Of late research and academics in marketing has been able to outline conditions under which advertising is more likely to provide useful information and those conditions where it most likely will not. It is generally agreed that regulation should be objectively done with well definedin scope because excess regulation that extend beyond objectivity may instead of simply correcting the problem may upset the balance of forces in the market and, ultimately, harm consumers.

Check Your Progress-B

Q1. What is Public Policy?

Q2. What are features of public policy?

Q3. What are types of public policy?

Q4. What is dilemma for regulating advertising?

Q5. What could be public evils of advertising?

Q6. MCQs

   i. Public Policy is Government _____ to public problems:
      a. action   b. interest

      c. funding   d. priority

  ii. _____ can inject into the market imperfect information that undermines consumers' ability to exercise appropriate purchasing choices.
      a. Deception   b. Fraud

      c. Neither a nor b   d. Both a and b

 iii. Controversies over role of advertising for society is:
      a. Contemporary   b. Recent past

      c. Long past   d. Inexistent

  iv. Controversies over role of advertising for society is:
      a. Contemporary   b. Recent past

      c. Long past   d. Inexistent

   v. Evils of Advertisement regulation could be:
      a. Unfair prices   b. Government deciding for consumer

      c. Balance the market forces   d. Misleading communication

7. Fill in the Blanks with appropriate word or words.

    i. _____essentially deals with communication between organizations that has something to offer to public.
   ii. The flow of imperfect information through advertisement results in_____.
 iii. Self-regulatory voluntary organization of the advertising industry in India is_____.
  iv. _____is a purposive guideline for course of action taken or adopted by those in power to pursuit certain goals and objectives.
   v. _____is the phase public policy planning in which the problems and issues are defined.

17.15 CONSUMER ADVOCACY

Consumer advocacy **is a** movement or policy aimed at regulating the products, services, methods, and standards of manufacturers, sellers, and advertisers in the interests of the buyer. Such regulation may be institutional, statutory, or embodied in a voluntary code accepted by a particular industry, or it may result more indirectly from the influence of consumer organizations.

Consumer advocacy can be defined as actions taken by individuals or groups to create awareness and protect the interest of buying community.

Consumer advocacy can also be understood from context of companies. The excessive importance given by organization to focus on needs and interest of consumer is another form of consumer advocacy. These companies train their employees to serve customer to their fullest satisfaction and give utmost priority to their requirements and develop a organization wide customer centric culture.

17.16 SCOPE OF COUNSUMER ADVOCACY

The consumer advocacy and rights of consumers have expanded to include following aspect of consumers:

1. The safety of products offered by a company.
2. The legitimacy of advertising claims and control on advertisements that are against the interest of consumers.
3. The satisfactory resolution of grievances raised by consumers against marketers.
4. Say in government decisions while formulating public policy pertaining to consumer affairs.

17.17 FEATURES OF CONSUMER ADVOCACY

1. Customer Representation: Consumer protection organizations in one form or another are scattered throughout the world, from the industrial countries to developing countries. Governments often establish formal regulatory agencies to insure consumer protection. For example,Consumer Guidance Society of India (CGSI) is a Non-Profit consumer organization established in India in 1966 to protect and educate the Indian consumer about sub-standard products and services, adulterated foods, short weights and measures, spurious and hazardous drugs, exorbitant prices, endemic shortages leading to black marketing and profiteering, unfulfilled manufacture guarantees, and a host of other problems. Consumers International (formerly the International Organization of Consumers Unions) is a worldwide association of consumer groups. Some members—especially in

Asia—operate only in a single city, whereas others, such as the Consumers' Association of Canada, are nationwide networks of organizations.

2. Law, Regulation and Standards: Laws have long provided certain safeguards to buyers. Among these safeguard, Sale Of Goods Act,1930 is the one that states that whenever a buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required, thus relying on the seller's skill or judgment, there is an implied condition that the goods sold shall be reasonably fit for such a purpose.

3. Controls on Manufacturing and Design: Of the several industries, food and drugs are the most controlled by legislation. Other products are generally controlled by standards institutions, which lay down basic minimum standards for many different kinds of products. Legislative controls applied to food and drug manufacturers prohibit them from adding or removing anything from the product they sell that would make it injurious to health. Although this might appear to afford absolute protection for the consumer, manufacturers sometimes unwittingly add ingredients that are subsequently found to be harmful. For nonfood products, legislation is less easily devised and far less easily enforced. Most countries, nevertheless, have developed minimum applicable standards. National-standards institutions were, in many instances, set up more for the benefit of manufacturers than for that of the ordinary, domestic consumer. In addition, government bodies were often formed to better control government purchasing.

4. Controls on Advertising: The major purpose of company advertising, is to attract members of the public toward buying a particular product, is fairly straightforward, the methods employed in this process have become increasingly complex. As business has become more competitive, so has the advertising that sells its products. Coupled with this increased competition has been the development of more powerful media—the most important of these being television. The advertising industry has for many years been aware of the various criticisms and has accepted the need for some control over advertising methods in addition to the provisions of statutory regulations that exist in many countries.

5. Labeling Standards: Labeling is used either to inform or to deceive the consumer, and manufacturers, in their sales efforts, are often tempted by the latter expedient. Minimum standards of labeling exist for some products, but, as with controls on manufacturing quality, legislation tends to concentrate on food and drugs. Generally, every container carries a statement of contents, but, apart from food and drugs, content identification is not usually required. If it is provided, however, it must not misrepresent. In general, this means that labeling, when it is present at all, should be accurate. Price labels are of utter importance to the consumer; the need for goods to be priced correctly is essential.

6. Controls on Sales Methods: Generalizations cannot be made concerning statutory controls on sales methods because they vary from place to place or region to region. Particularly difficult to control is door-to-door selling, a selling method that for many years has been criticized by the general public, even though the majority of door-to-door salespeople are

fair and reputable. Vacuum cleaners, floor polishers, sewing machines, cosmetics, household-cleaning products, vitamins, and encyclopedias have been sold by this method.

17.18 IMPORTANCE OF CONSUMER ADVOCACY

Consumer advocacy has become relevant with the growth of private companies offering products and services for every need of consumer. With proliferation of large number of companies it has become difficult to maintain authenticity of products and services offered by them. Though market forces are expected to punish those companies who cheat the customers, but many times enough damage has been already done before it is realized. Hence consumer advocacy has gained momentum and become relevant in today's business environment. Some points highlighting the importance of consumer advocacy are mentioned below.

1. Makes consumer aware of false and over premises by marketers.
2. Protect consumers from cheating and being sold spurious products.
3. exposing unfair business practices
4. Restricts marketing of unsafe products that threaten the welfare of the general public

17.19 MEANS OF CONUSMER ADVOCACY

Consumer organizations may operate through tools like publicity, boycotts, letter-writing campaigns, and lawsuits to raise awareness of issues affecting consumers and to counteract the financial and political power of the organizations they target. via

1. Protests: Group of consumers can protest against a company, technology or any such thing that in not in interest of consumers.

2. Litigation: The response to an unwanted marketing program may also come in form of lawsuits and public interest litigation. Such suits may either come from activists or single person.

3. Campaigning: Circulation of information pertaining to ill effects of a product or any other aspect of buying and selling to large number of people through campaigns run via internet, signatures gathering, public speaking etc can bring desired impact by educating consumers about these companies as well as make these companies to withdraw such offerings.

4. Lobbying: making representation and convincing public policy decision makers by affected groups, consumer activists, NGOs etc can be of much use to safeguard the consumer interest.

17.20 CUSTOMER ADVOCACY

A related but slightly different concept is Customer advocacy. The concept of Customer Advocacy is to ensure that existing customer speaks in favor of the company's product and services that has positive and favorable impact on purchase intentions of prospects. This allows company to increase their customer base by attracting new customers. To make existing customers vouch for the company, they must keep their existing customers fully satisfied. This can happen only if the company has customer centric culture and customer issues are dealt with honesty and sincerity. The customer advocacy is important because:

1. Word Of Mouth Is The Primary Factor Behind Purchasing Decisions.

2. People Trust Friends And Family More Than Any Other Information Source.

3. Referred Customers Typically Cost Less To Acquire And Are Less Price Sensitive.

4. Advocates Are Repeat Customers Who Spend More Money.

5. Customer Advocates Are Your Brand Ambassadors And Biggest Marketing Asset.

Check Your Progress-C

Q1. What is consumer advocacy?

Q2. What scope of consumer advocacy?

Q3. Discuss features of consumer advocacy?

Q4. Discuss means of consumer advocacy?

Q5. What do you mean by customer advocacy?

Q6. MCQs

i. Non-Profit consumer organization established in India in 1966 to protect and educate the Indian consumer about sub-standard products and services,

    a. Consumer Guidance Society of India   b. Consumer protection society of India

    c. Competition commission   d. Consumer forum

ii. _____ as actions taken by individuals or groups to create awareness and protect the interest of buying community.

    a. Customer action   b. Customer advocacy

    c. Consumer advocacy   d. Consumer action

iii. One of the following is not the means for consumer advocacy.

    a. Protest   b. Conspiring

    c. Campaigning   d. lobbying

iv. _____ is worldwide association of consumer groups.

    a. International consumer forum   b. Consumers International

    c. ILO   d. Consumer association

Q7. Fill in the Blanks with appropriate word or words.

   i.   _____is the primary factor behind purchasing decisions..

   ii.   _____are repeat customers who spend more money..

   iii.   Circulation of information pertaining to ill effects of a product or any other aspect of buying and selling to large number of people through _____.

   iv.   _____is to ensure that existing customer speaks in favor of the company's product and services.

17.21 SUMMARY

Policies are specific guidelines and constraints for managerial thinking on decision making and action. Policy is both a process as well as a product.

Policies could be classified based on source, functional and level of origination

1. Originated Policies
2. Appealed Policies
3. External or Imposed Policies
4. Policies on the basis of levels
5. Functional Policies

An effective policy is one that leads to attainment of desired goals. Policies in public domain are related directly with interest of society, hence sound and effective policy is must for good governance. Public policy is a course of government action or inaction in response to public problems. It is associated with formally approved policy goals and means, as well as the regulations and practices of government agencies that implement program pertaining to public domain. Public policy is whatever government chooses to do or not to do.Public policy consists of political decisions for implementing programs to achieve societal goals.

Public policy in advertisements generally known as government action to provide the principled guide to action taken by the administrative or executive branches of the state with regard to a class of issues pertaining to advertisement in a manner consistent with law and institutional customs. It serves as guiding principle to advertisers as well as concerned regulating bodies.

The evil or misleading advertisements can bring small low-cost problem as well as high-cost problem to consumers. Controversies over advertising are not a recent phenomenon. It existed for long past with had varying severity. The good and bad components of advertising had been a matter of discussion for long time. Consumer advocacy can be defined as actions taken by individuals or groups to create awareness and protect the interest of buying community.

Consumer advocacy has become relevant with the growth of private companies offering products and services for every need of consumer.

The concept of Customer Advocacy is to ensure that existing customer speaks in favor of the company's product and services that has positive and favorable impact on purchase intentions

17.22   GLOSSARY

Appealed Policies is superior's verdict generates appealed policy and thus becomes a guide for the future action of the subordinates

Consumer advocacy is a movement or policy aimed at regulating the products, services, methods, and standards of manufacturers, sellers, and advertisers in the interests of the buyer.

Customer Advocacy is to ensure that existing customer speaks in favour of the company's product and services that has positive and favourable impact on purchase intentions of prospects.

Distributive Policies-These policies extend goods and services to members of an organization, as well as distributing the cost of the goods or services amongst the members of the organization.

Deception: Advertisement claims to provide to the consumer a product that will perform as advertised.

Functional Policies are policies which are formulated for various functional areas of management.

Fraud: The flow of imperfect information through advertisement results in fraud.

Imposed Policies are outside agencies like government, trade associations, trade unions etc. may also be instrumental in the formulation of a policy by the enterprise.

Originated Policies: Formulation of these policies done by the managers.

Policies are specific guidelines and constraints for managerial thinking on decision making and action.

Public policy is a course of government action or inaction in response to public problems.

Regulatory Policies- These policies limit the discretion of individuals and agencies or otherwise compel certain types of behaviour.

Unfairness could include virtually any practice that regulators do not like for one reason or another.

17.23 ANSWERS TO CHECK YOUR PROGRESS

Check your progress A

4. MCQ

i. d   ii. c   iii. c   iv. b

5. Fill in the blanks

i. Functional policies

ii. Objectives

iii. Appealed policy

iv. Business environment

Check your progress B

6. MCQ

i. a   ii. d   iii. c   iv. c   v. b

7. Fill in the blanks

i. Advertising   ii. Fraud   iii.ASCI   iv.Policy   v.Agenda Setting

Check your progress C

6. MCQ

i. a   ii. c   iii. b   iv. b

7. Fill in the blanks

i. Word of mouth   ii. Advocates   iii.Campaigns.   iv. Customer Advocacy

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8. Henry Assael, Consumer behaviour strategic approach Biztantra, New Delhi, 2005.

17.26 TERMINAL QUESTIONS

Q1. What do importance policy in consumer studies?

Q2. Explain characteristics of policy.

Q3. What are various types of policies?

Q4. Describe guidelines for effective policy making.

Q5. Describe features of public policy.

Q6. Explain classification of public policies.

Q7. Explain consumer advocacy.

Q8. Discuss scope of consumer advocacy and its features.

Q9. What is customer advocacy?

UNIT 18 MODELS OF CONSUMER BEHAVIOUR : INDUSTRIAL BUYING AND INDIVIDUAL BUYING

18.1 Introduction

18.2 Objectives

18.3 Models of Consumer Buying Behavior

18.4 Summary

18.5 Glossary

18.6 References

18.7 Suggested Readings

18.8 Terminal Questions

18.1 INTRODUCTION

A model is a representation of something (a buying process for example) on a smaller scale. "A model is an attempt to diagram the elements and relationships among elements, in this case buyer behavior forces and variables". In this unit you will learn various models of consumer behaviour in detail.

18.2 LEARNING OBJECTIVES

After reading this unit, you will be able to;

- Identify the various types of model of consumer buying behavior.
- Know the various models of consumer buying behavior.

18.3 MODELS OF CONSUMER BEHAVIOR

There are various consumers' models which help in the understanding of consumer behavior. These are listed below. We shall discuss these briefly.

1. Economic Model

2. Psychological Model

3. Input, Process Output Model

4. Pavlovian Learning Model

5. Howarth Sheth Model

6. Engel-Blackwell-Kollat Model

7. Model of Family Decision-making

8. Nicosia Model

18.3.1 ECONOMIC MODEL

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximizing his gains.

This model is based on:

Price effect: When the price of the product is less the more quality is purchased by the customers.

Substitution effect: whenever the price of the substitute product is less, the utility of the original product is less.

Income effect: Product quality is purchased more when more income is earned, or more money is available.

Economic model ignores all the other aspects like perception, motivation, learning, attitudes, personality, and social cultural factors that's the reason according to behavioral scientists this model is not consider as a complete model and also it assume the homogeneity of the market, and focus only on the product or price. It is important to have a multi-disciplinary approach, as human beings are complex entities and are influenced by external and internal factors. Thus, price is not the only factor influencing decision-making and the economic model according to scientists has shortcomings.

18.3.2 PSYCHOLOGICAL MODEL

Psychologists have been investigating the causes which lead to purchases and decision-making. This has been answered by A.H. Maslow in his hierarchy of needs. The behavior of an individuals at a exact timing is depend on his strongest need .This also shows that needs have a priority. Initially everyone satisfy the basic needs and then move towards for secondary needs.

A.H.Maslow said the purchasing process and behavior is governed by motivational forces. Motivation stimulates people into action. Motivation starts with the need. It is driving force and mental phenomenon.

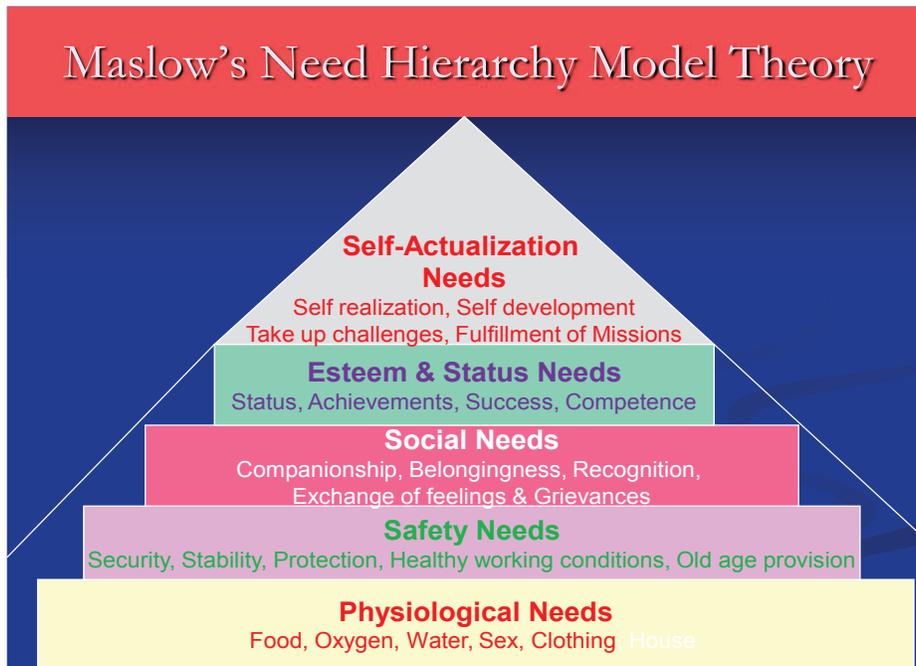Once a need is satisfied, a new need arises and the process is continued.

Fig 18.1 Maslow's Need Hierarchy Model Theory

18.3.3 INPUT, PROCESS AND OUTPUT MODEL

This is a simple model of consumer behaviour, in which the input for the customer is the firm's marketing effort (the product, price, promotion and place) and the social environment. The social environment consists of the family, reference groups, culture, social class, etc. which influences the decision-making process. Both these factors together constitute the input in the mind of the consumer.
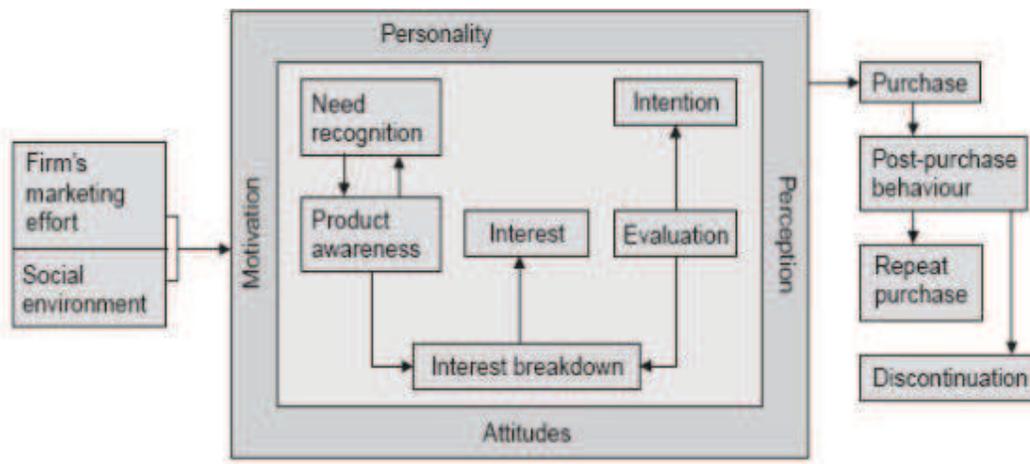
Fig 18.2 Input, Process and Output Model

Need recognition

When an individual is aware of its want, tension is created and he chooses a product to satisfy their needs. Sometime individual may be aware of a product, before they recognized their need. This is indicated by the arrows going both ways from the need to the product and vice-versa.

Product awareness

 Product awareness can be had from advertisement or exposure to different types of media or by the social circle. The awareness and the need leads to the building of interest. In some cases, the interest may also breakdown and, the decision process also stops or may be postponed for the time being.

Evaluation

 Evaluation may consist of getting more information about the product and comparing and contrasting it with other products. This can be done theoretically or by taking a trial. Once the evaluation is completed, the consumer's interest may either build up and he has intentions to buy, or he may lose interest and the decision process may again stop or be postponed.

 Intention

When individual are ready to buy the product (intension), they goes ahead. When the product is purchased, it helps in fulfilling the need of the consumer and they becomes aware of the positive and negative points of the products.

 Post-purchase behavior

When the product is able to satisfied the need of the customer they get satisfied and they goes in for repeat purchase or recommends the same to his known and reference to other. If, however, the customer is dissatisfied, he discontinues further purchase of the product and builds a negative attitude towards it, which may be harmful to the company.

This stage is very important for the marketer and for the company because it leads to proper feedback for improvement and maintaining the quality and features desired by the product. It helps in building the goodwill and image of the company.

18.3.4 PAVLOVIAN LEARNING MODEL

The learning model was first introduced by Ivan Pavlov. The model suggests that human behaviour is based on some central concepts - the drives, stimuli, cues, responses and reinforcements which determine the human needs and needs satisfying behaviour.

 A drive is a strong internal stimulus which compels action.

Stimuli are inputs which are capable of arousing drives or motives.

The way a person responds to a given stimulus would depend upon the Configuration of cues. **Cues** is a sign or signal which acts as a stimulus to a particular drive. The way an individual reacts to the stimuli is known as his **response.** Cause are weak stimuli that determine when the buyer will respond. We have: (a) Triggering Cues: These activate the decision process for any purchase. (b) Non-triggering Cues: These influence the decision process but do not activate it. These are of two kinds: 1. Product cues are external stimuli received from the product directly, e.g., color of package, weight, style, price, etc. 2. Informational cues are external stimuli which provide information about the product, like advertisement, sales promotion, talking to other people, suggestions of sales personnel, etc. Response is what the buyer does, i.e., buys or does not

18.3.5. HOWARTH SHETH MODEL

The Howard and Sheth model of buyer behavior is an elaboration of a model originally developed by Mr. John A. Howard. According to this model, buyer behavior consists of four sets of constructs, frame or variables. They are:

- *Input variables*
- *Output variables*
- *Hypothetical constructs, (consisting of learning and perceptual constructs)*
- *Exogenous variables*

Description of the Constructs of the Model

The Input Variables: At any point in time, the hypothetical constructs are affected by numerous stimuli from the environment. The environment is classified as (i) commercial and (ii) social.

The marketing activities of various firms by which they attempt to communicate to the buyer constitute the commercial environment.

From the buyer's point of view, these communications come by way of either the physical brand themselves (significative) or some linguistic or pictorial representations (symbolic) of the attributes of the brands.

The two inputs are called significative and symbolic stimuli.

The third important variable is social stimuli. It refers to the information that the buyer's social environment provides regarding a purchase decision. The most obvious is word of mouth communication.

The Output Variables

The output variables are labeled as: (a) attention, (b) brand comprehension, (c) attitude, (d) intention, and (e) purchase.

Attention : It is a response of the buyer that indicates the magnitude of his information intake. There are several methods of measuring attention such as psychophysical method.

Brand Comprehension : It refers to buyer's verbal statement about his knowledge of brands in a product class. It could vary from the buyer's simply being aware of a brand's existence to a complete description of buyer's descriptive meaning of the brands.

Attitude: Attitude is the buyer's verbal evaluation of a brand's potential to satisfy his motives (his description of the connotative or implied meaning of a brand).

Intention: It is the buyer's expectation, expressed verbally, that, given his information about all the aspects of a buying situation and his predictions about the future states of the environment, he will buy the brand he likes most next time he is motivated to buy.

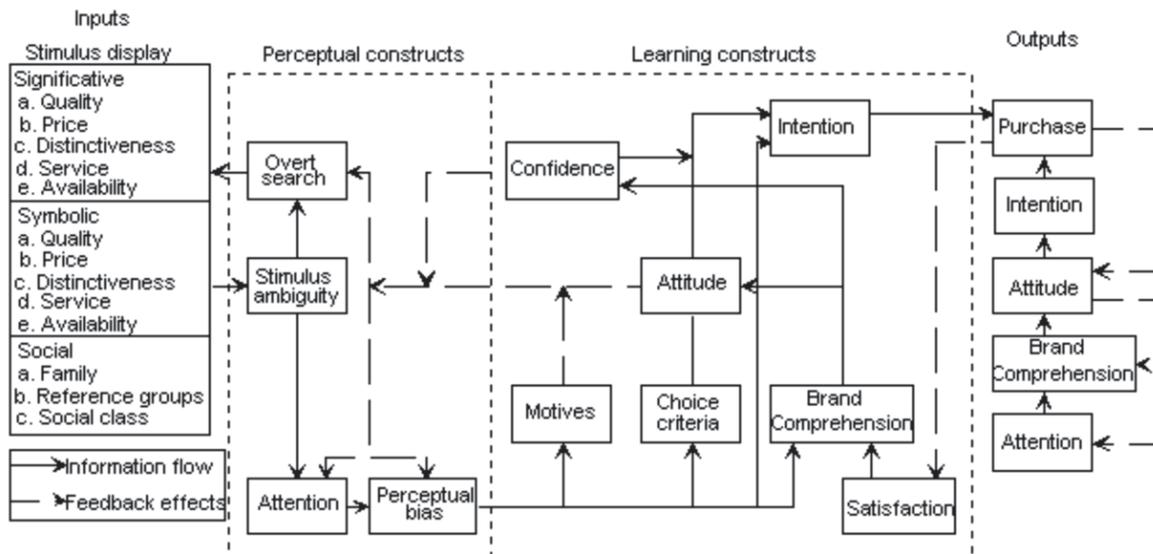**Purchase:** Purchase behavior refers to the overt act of buying or purchasing a brand.

Fig 18.3 Howard and Sheth Model of Buyer Behavior

Check Your Progress-A

Q1. Discuss Economic Model of consumer behaviour.

Q2. Discuss Psychological Model of consumer behaviour.

Q3. Discuss Key Points of Pavlovian Learning Model.

18.3.6.ENGEL-BLACKWELL-KOLLAT MODEL

It consists of four components:

(i)   Information processing: consists of exposure, attention, comprehension and retention of the marketing and non- marketing stimuli

(ii)   Central control unit: The stimuli processes and interprets the information received by an individual.

(iii)   Decision process: The decision outcome or the satisfaction and dissatisfaction is also an important factor which influences further decisions.

(iv) Environmental influences: consist of income, social class, family influences, social class and physical influences and other considerations. All these factors may favor or disfavor the purchase decisions.
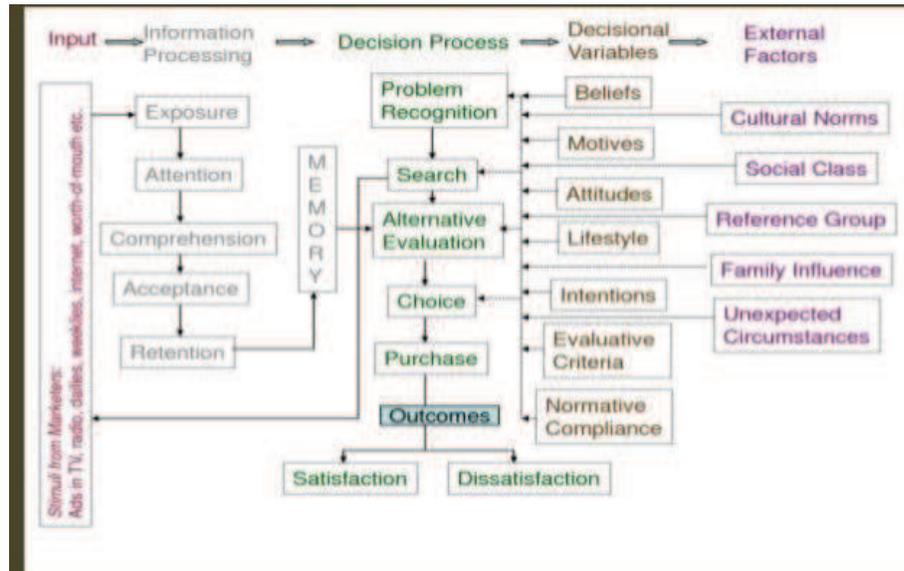

Fig18.4 Engel-Blackwell-Kollat Model

18.3.7.MODEL OF FAMILY DECISION-MAKING

Under this model we need to understand a how the family members are interacting with each other in a context of their consumer decision-making. There are different consumption roles played by various members of the family. They are:

(i) Influencers: Influence is a person who can able to influence the purchasing of other member of their family by providing information to other members of his family.

(ii) Gate keepers: These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product which they do not favour.

(iii) Deciders: They play an important role in deciding which product to buy or which not. These are the people who have the power or, money and authority to buy.

(iv) Buyers: They are the people who actually buy the products.

18.3.8 NICOSIA MODEL

This model explains the consumer behavior on the basis of four fields shown in the diagram.
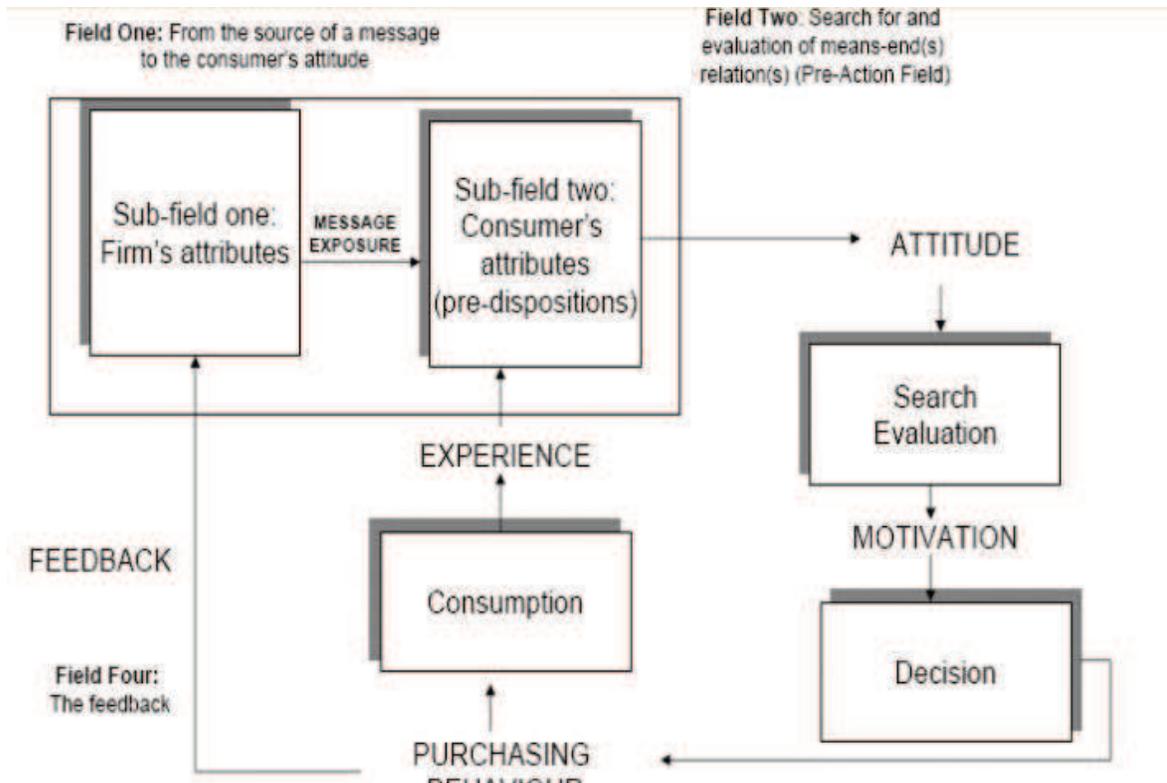
Fig 18.5 Nicosia Model

The output of field one becomes the input of field two, and so on Field one consists of subfields one and two. Subfield one is the firm's attributes and the attributes of the product. The subfield two is the predisposition of the consumer and his own characteristics and attributes, which are affected by his exposure to various information and message, and is responsible for the building of attitude of the consumer. Field two is the preaction field, where the consumer goes on for research and evaluation and gets motivated to buy the product. It highlights the means and end relationship. Field three is the act of purchase or the decision-making to buy the product. The customer buys the product and uses it. Field four highlights the post-purchase behaviour and the use of the product, its storage and consumption. The feedback from field four is fed into the firms attributes or field one, and the feedback from the experience is responsible for changing the pre-disposition of the consumer and later his attitude towards the product. Nicosia Model is a comprehensive model of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behavior of the consumer.

18.4 SUMMARY

A model is a representation of something (a buying process for example) on a smaller scale. There are various consumers' models which help in the understanding of consumer behavior. These are Economic Model , Psychological Model, Pavlovian Learning Model, Input, Process Output Model, Howarth Sheth Model, Engel-Blackwell-Kollat Model, Model of Family Decision-making and Nicosia Model. In Economic model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. In Psychological Model, Psychologists have been investigating the causes which lead to purchases and decision-making. This has been answered by A.H. Maslow in his hierarchy of needs. The behavior of an individuals at a exact timing is depend on his strongest need .This also shows that needs have a priority. Initially everyone satisfy the basic needs and then move towards for secondary needs. Input, Process Output Model is a simple model of consumer behaviour, in which the input for the customer is the firm's marketing effort (the product, price, promotion and place) and the social environment. The Pavlovian Learning Model was first introduced by Ivan Pavlov. The model suggests that human behaviour is based on some central concepts - the drives, stimuli, cues, responses and reinforcements which determine the human needs and needs satisfying behaviour. A drive is a strong internal stimulus which compels action.

Further, the Howard and Sheth model of buyer behavior is an elaboration of a model originally developed by Mr. John A. Howard. According to this model, buyer behavior consists of four sets of constructs, frame or variables. The Engel-Blackwell-Kollat Model consists of four components: Information processing, Central control unit, Decision process and Environmental influences.

In the Model of Family Decision-Making we need to understand a how the family members are interacting with each other in a context of their consumer decision-making. Nicosia Model is a comprehensive model of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behavior of the consumer.

18.5 GLOSSARY

Price effect: When the price of the product is less the more quality is purchased by the customers.

Substitution effect: whenever the price of the substitute product is less, the utility of the original product is less.

Income effect: Product quality is purchased more when more income is earned, or more money is available.

Stimuli are inputs which are capable of arousing drives or motives.

Cues is a sign or signal which acts as a stimulus to a particular drive.

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Attitude: Attitude is the buyer's verbal evaluation of a brand's potential to satisfy his motives (his description of the connotative or implied meaning of a brand).

Intention: It is the buyer's expectation, expressed verbally, that, given his information about all the aspects of a buying situation and his predictions about the future states of the environment, he will buy the brand he likes most next time he is motivated to buy.

Purchase: Purchase behavior refers to the overt act of buying or purchasing a brand**.**

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18.8 TERMINAL QUESTIONS

Q1. Explain the Howard Seth Model of Consumer Behavior.

Q2. Explain Nicosia model of buying.

Q3. Explain with suitable examples how buying behavior varies with stages of family

Q4. Explain anyone model of Consumer Behavior in detail, giving suitable.

Block IV
CRM and Consumer Decision Making

UNIT 19 CONSUMER BEHAVIOUR AUDIT

19.1 INTRODUCTION

In the previous unit, you learnt about various models of consumer behaviour and in this unit we will discuss about consumer audit. The consumer behaviour audit is a fundamental part of the marketing planning process. It is led toward the start of the procedure, as well as at a progression of focuses amid the usage of the arrangement.

19.2 LEARNING OBJECTIVE

After reading this unit, you would be able;

- To understand the meaning of Consumer Behavior Audit.
- To understand the marketing decision areas related to Audit.
- To understand the importance of Consumer Behavior Audit.

19.3 CONSUMER BEHAVIOR AUDIT

The consumer behavior audit is a fundamental part of the marketing planning process. It is led toward the start of the procedure, as well as at a progression of focuses amid the usage of the arrangement. The purchaser conduct review considers both interior and outside impacts

on promoting arranging, and also an audit of the arrangement itself. There are various instruments and reviews that can be utilized, for instance SWOT investigation for the inner condition, and in addition the outside condition. Different illustrations incorporate PEST and Five Forces Analyses, which concentrate exclusively on the outside condition. From multiple points of view the shopper conduct review clears up circumstances and dangers, and enables the advertising supervisor to make adjustments to the arrangement if vital. This bit discloses to you the rudiments of the shopper conduct review, and presents a customer conduct review agenda. The agenda is intended to answer the inquiry, what is the present advertising circumstance?

We should consider the buyer conduct review under three key headings:

I.   The Internal Marketing Environment.

II.   The External Marketing Environment.

III.   A Review of Our Current Marketing Plan.

19.4 MARKETING DECISION AREAS

19.4.1. MARKET SEGMENTATION
Division of all conceivable item clients (i.e., shoppers) into bunches with comparative needs to fulfill for item advancement and media determination. **Product positioning** assurance of an alluring item or brand position in the psyche of the buyer in respect to contending brands.

Price – estimating strategy steady with the decided item position. The cost is the comprehensive arrangement of thought that the customer must delicate in return for the item or administration, for example, time, persistence, learning, and cash.

Place (Distribution Strategy) – channel or appropriation procedure, for example, retail, discount, or Internet, and so on predictable with the decided item position at which title to the item is surrendered or the administration is performed.

Promotion- publicizing, visual bundling, reputation, advancement, site, telemarketing and direct deals drive exercises.

Product physical item attributes or administration to be experienced for each market fragment. Consumer loyalty – present buy strategies on advanced client utilize, reliability, reference and rehash buys.

19.4.2. CUSTOMER INFLUENCES
External influences

Culture, subculture, and values

- Demographics, income, and social class

- Reference groups and family / households

- Marketing activities by the company (e.g., product attributes, packaging, advertisements, sales presentation, and retail outlet)

Internal influences

- Needs, motives, and emotions

- Perceptions, learning and memory

- Personality and lifestyle

- Attitudes

- Situation influences Physical features

- Time perspective

- Social surroundings

- Task definition

- Antecedent states and situations (e.g., product or offer communications, purchase, use, or definition)

Decision process influences (i.e., stages)

- Problem recognition- Under this stage a shopper is fundamentally come to think about the necessities and its prerequisite.

- Information search- In this stage a customer gathered various information related to product by using its various internal and external sources.

- Alternative evaluation- In this stage a customer compare all the alternatives in order to satisfy its need or wants in terms of its priority i.e, price, quality, packaging, shape, color etc.

- Purchase- This is a stage when a customer is ready to buy a product.

- Post-purchase processes (e.g., use, disposition, and evaluation)- This is one of the crucial stage in buying behavior as in this stage post purchase behavior is very important like after sales services, repair, disposition etc.

By interweaving the decision areas with the relevant customer influences listed above, it is possible to outline the areas in which data should be gathered in order to construct a complete consumer behavior audit template as follows

Step 1: Market segmentation (…) Identify customer influences

 Step 2: Product positioning (…) Identify customer influences

  Step 3: Price (…) Identify customer influences

Step 4: Place (Distribution strategy) (…) Identify customer influences

Step 5: Promotion (…) Identify customer influences

Step 6: Product (…) Identify customer influences

 Step 7: Customer satisfaction (…) Identify customer influences

 By completing the above steps and answering all the associated questions regarding customer influences at each of the stages, the marketing manager should have a thorough understanding of the influences on consumer behaviour and the key decision areas in which the influences are activated

Check Your Progress-A

Q1. How do you relate Marketing Decision Areas with Consumer Audit?

Q2. What do you mean by consumer audit?

19.5 SIGNIFICANT OF CONSUMER BEHAVIOR AUDIT

The five fundamental strides in the buyer advertising review are exceedingly escalated and investigative in nature. At the point when actualized in the proper way, they can yield huge data on how buyers feel, think and pick certain items over others. By achieving the five essential strides in the review and absolutely fathoming all the related issues concerning client impacts at each level inside the stages, showcasing chairmen can have a deliberate appreciation of the elements that control shopper conduct and the significant choice parts where these impacts are activated. Buyer promoting reviews can fill in as valuable apparatuses in confirming the number and sort of shoppers that buy a specific item (Hawkins and Mothersbaugh, 2010).

Purchaser showcasing reviews are additionally imperative in that they recognize blemishes in the advertising methodologies of an organization. To perceive a decline the measure of direct misfortunes or drop in the quantity of buyers, a customary review strategy is led. Certain offices can understand ceaseless misfortunes through defilement or wasteful structures, for example, misled promoting, over-planning, and poor interest in HR. Shopper advertising reviews likewise help by getting experts who are gifted in dissecting the market and purchaser conduct (D'Souza, 2009). This is to a great degree gainful too little and medium endeavors that may do not have a built up showcasing office. These outer examiners additionally effectively distinguish regions where the organization is enduring the most.

19.6 SUMMARY

In this unit you learnt that the consumer behavior audit is a fundamental part of the marketing planning process. It is led toward the start of the procedure, as well as at a progression of focuses amid the usage of the arrangement. A consumer audit is a thorough analysis of a company as perceived by its customers. It incorporates the analysis of the needs of each customer and an evaluation of the company's' contribution plays in gaining businesses from the customers. The purchaser conduct review considers both interior and outside impacts on promoting arranging, and also an audit of the arrangement itself. There are various instruments and reviews that can be utilized, for instance SWOT investigation for the inner condition, and in addition the outside condition.

19.7 GLOSSARY

Purchase Behaviour- Purchase behavior refers to the overt act of buying or purchasing a brand**.**

Product positioning is an assurance of an alluring item or brand position in the psyche of the buyer in respect to contending brands.

Behavioral Intention. The behavioral intention means what the consumer is planning to do with the product.

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19.10 TERMINAL QUESTIONS

Q1. Explain the concept of consumer behavior Audit.

Q2. What are the various marketing areas? Explain

Q3. What is the importance of consumer behavior Audit?

Q4. Explain marketing decision areas with the help of examples.

Q5. What are the main obstacles in the effective development of marketing management in India?

UNIT 20 DIFFUSION OF INNOVATION AND OPINION LEADERSHIP

20.1 Introduction

20.2 Objectives

20.3 Innovation

20.4 Product Adoption and Diffusion

20.5 Opinion Leadership

20.6 Summary

20.7 Glossary

20.8 Answer to Check Your Progress

20.9 Reference/ Bibliography

20.10 Suggested Readings

20.11 Terminal & Model Questions

20.1 INTRODUCTION

In the previous units of consumer behaviour, you would have read about the various personal, social and cultural factors which influence consumer decision making and purchase behaviour. You would have also covered the topics like new product development and product life cycle in your marketing course.

In this unit, you will study the factors which make some products more successful than others in the market. In this unit, you will study the different types of innovations made by the companies over time. You will learn the process and factors that affect the transfer of information to customer about innovations. The unit will explain with examples that how some products become popular almost instantly or in a very short span of time as compared to other few products who take very long to get accepted by the customers. This unit will throw light on the techniques required to be followed by a marketer to diffuse these innovations in the market.

You will also get to know who is an opinion leader and role of opinion leaders in getting an innovation diffused among general customers.

20.2 OBJECTIVES

After reading this unit you will be able to:

- Know the meaning of innovation.

- Understand different types of innovation.
- Learn about the process of diffusion.
- Understand the factors which affect diffusion.
- Explain the implication of diffusion process for a marketer.
- Learn the meaning and relevance of opinion leadership.

20.3 INNOVATION

The environment in which a marketer operates changes in a dynamic manner and it is important for the marketer to innovate and develop new products. The level of innovation can vary from an incremental change to the development of an entirely innovative product and services. Meaning of innovation varies between the field of economics, business and from an organization perspective. The business, economics and science organizations all have their own ways of explaining, what innovation means. Thus, you can understand that the concept of innovation is very diverse and it could be best understood in terms of its application. In the simplest form innovation could be understood as 'A novel or new idea, product or process or which is perceived to be new.

20.3.1 MEANING

Innovation means use of new ideas in developing new products, processes, strategy or other facets of an organizations activities which will eventually result in more "value". You can understand this "value" as added features and benefits for the customers at one hand and more revenues and profits for the company at other hand. As per the companies, it is defined as a process of exploiting an innovative idea in to a profitable business opportunity. This means an innovation will be considered only an invention if it is not introduced in the market to benefit the customers and company.

As per the economist Joseph Schumpeter (1934), you can understand innovation as "creative destruction" and "new combinations", he said innovation is related to:

- Development of new product or service

- Discovering a new method of production

- Creating a new market for an existing product

- Conquest of new access to raw materials and semi-finished goods.

- Organizational change

 "An innovation is an idea, practice or object that is perceived as new by an individual or other unit of adoption. It matters little, so far as human behaviour is concerned, whether or not an idea is "objectively" new as measured by the lapse of time since its first use or discovery. The perceived newness of the idea for the individual determines his or her reaction to it. If an idea seems new to the individual, it is an innovation." (Rogers, 2003: 5)

Innovation happens when a new products and processes derived from the applications of both existing and new knowledge is brought to the market for commercial use. Thus we can observe that innovation emerges out of complex process, with inventions at the root and prevalent adoption of this new products by customers in the market place. This stage at which the innovation is accepted by majority of the customers commercially is known as diffusion.

It is important for an innovation to get diffuse for making it commercially viable.

20.3.2 TYPES OF INNOVATION

The types of innovations can be classified in several ways. Here, we are classifying innovations depending upon the focal point of innovation and its impact.

The different types of innovations as per the focal point/object in consideration are:

Product Innovation: Meaning of product innovation is to develop an entirely new product or to make major changes in an existing product so that it is perceived as new by the market. Thus this represents a change in product attributes and also the change in how the product is perceived by customers in market. You often see these kind of product innovations in the form of tangible goods and intangible services all around. Launch of new models and updated versions of mobile phones, computers and other electronics in the market are all examples of tangible product innovations. The changes in the software, communication services, transportation services etc are examples of intangible product innovations.

Process Innovation: It mean introduction of new methods and processes for developing goods and services and new ways for delivering them to customers. This kind of innovation may not

Alter the final product but it generates efficiencies in the production process, by increasing the productivity and reducing costs.

The use of new methods in doing the same old business activity is a process innovation for eg. use of cash deposit machines in place of human tellers, use of electronic kiosks and vending machines.

The innovation can be either something new for an organization or for the domestic market or for the entire global market. For simple understanding you can say that innovation is something which is perceived to be new by company and by the relevant market.

Business model innovation: This innovation brings the overall change in the business model in terms of how the product or the service is offered to the market. This will not always make changes in the product or in the process of production but the way business is done has evolved and modified. The best example for this kind of innovation is providing automobile on rent/ monthly charges to use instead of purchasing it and paying for its insurance, maintenance etc.

System Innovation: This type of innovation means newness in the way institution, technology and infrastructure is integrated to develop a new system altogether. One such example is fuel cell.

Social Innovation: The change and novelty in the social relationship in production, service, administration, education and social life is called as social innovation. For example: emission trade, workers benefit systems.

The different types of innovations as per the impact/ degree in consideration are:

- Continuous/ Incremental Innovation: This means small regular or continuous improvements in products and services. Consumers may notice these improvements in the products and offering but it will not bring the change in the way they are consumed and business is done. Example: the evolution of common CD to double CD, capable of storing twice as many tracks.

- Dynamically Continuous: These innovations lie between the discontinuous and continuous innovation. These innovations will not bring in major change in customer habits as in a discontinuous innovation, and at the same time you cannot ignore them. The example of this innovation is evolution of an electronic type writes from a manual typewriter and the progression of cable in to satellite network television.

- Discontinuous/ Radical Innovation: This kind of innovation brings major change in the consumption process of a product or the service. It may bring a new shift to the market segment which will modify the existing business models. These new products are essentially different from products that previously exist that they restructure competition and market. Use of mobile phone and the Internet drastically changed the way people communicate.

20.3.3   DIMENSIONS OF INNOVATIONS

After understanding the types of innovations in terms of the degree of changes made in the products and resulting impact in consumer behaviour, you can say that some innovative products depicts mere a modification over the earlier version, while some may be radically different, and a few could be completely new. The degree of these changes can vary from incremental to radical and to completely new. There are two dimensions i.e. technological and behavioural on the basis of which innovations are categorized. This means that if a product has undergone technological changes and advancements it will create the requirement to make behavioral changes in the consumers for its usage and consumption.

Thus the two dimensions of innovations are:

Technological dimension: It refers to the changes in the product itself such as development of DVDs which provide better technology, picture quality, audio and visual output over VCDs. However, this innovation does not involve any behavioral changes for the viewers.

Behavioral dimension: These dimension measures the changes in the consumers' behaviour while purchasing or consuming a new offering in the market. For example, the mobile phones with 4G does not represent any major change in technology but it involves considerable changes in the consumer behaviour with respect to use of this technology in making calls and using internet over a move. Now, as a result of availability of 4G network the consumers prefer to make video calls over voice calls.

Check Your Progress-A

Q1. What do you understand by the term innovation?

Q2. How innovations can be classified?

Q3. Distinguish between technological and behavioral dimension of innovation.

Q4. True/ False

  i.   Meaning of product and process innovation is same.

 ii.   The use of Skype for communication purpose is an example of dynamically continuous innovation.

iii.   The use of mobile applications to recharge mobile phones is a process innovation.

 iv.   The innovation must always add value for the customers.

  v.   Women are encouraged to use scooties with the introduction of two wheelers designed for them and this doesn't reflect any technological change.

Q5. Fill in the Blanks with appropriate word or words.

  i.   Change in the color and fragrance of a bathing soap is an example of _____innovation.

 ii.   The transformation of manual banking in to online and mobile banking is _____ innovation.

iii.   A product or process can be new or perceived to be new to the _____, new to the national market, or new to the global market.

 iv.   An invention will be considered as an innovation if it has _____use.

20.4 PRODUCT ADOPTION AND DIFFUSION

Not all the new products which are offered by the marketer in the market are successful. While introducing modified products and new products in the market, the marketers come across two major issues: i) whether the newly launched product or service will be accepted by the target market or not, ii) rate at which it will be adopted by the consumers. The issue pertaining to the acceptance of the innovation is known as diffusion. Thus, we can define diffusion as the process of spreading a new product or service in the potential market. It also deals with the factors responsible for its acceptance and rejection among the consumer segments.

Adoption measures the rate of acceptance by the consumer segment. Adoption can be defined as a series of steps through which an individual consumer passes in the process of accepting or rejecting a new product or service offering.

20.4.1 ADOPTION: MEANING, PROCESS AND CATEGORIES

Meaning: Adoption is defined in terms of the different stages through which an individual customer passes in the process of accepting or rejecting a new product or service launched by a marketer. An understanding of the stages of adoption process helps a marketer to develop strategies to influence the process of adoption. It has been observed that there are products in the market which are existing for long but consumers consider them to be new as they have not heard about them. This means consumers differ in their process in which they buy, right from the stage of initial awareness to the stage of final purchase. This has implications for marketers. According to the famous consumer behaviour author, Schiffman, 'Adoption means the stages through which an individual consumer passes while arriving at a decision to try or not to try or to continue using or to discontinue using a new product".

The rate at which an innovation is adopted by the market varies from product to product. This means that not all the products are adopted in the same period of time by the target consumers. The factors such as technological changes, socio-economic changes, cultural changes influences the rate of adoption. Marketers aims at increasing the rate of adoption for their product or service. They design marketing mix strategies by keeping the needs of the segments in their mind so that the process of adoption by the target segments is facilitated.

Adoption Process: There are different consumer researchers who have given a variety of models to explain the adoption process. They are Hierarchy of Effects' Model, Robertson's model, and Roger's model (refer to Table 1). These models describe the stages through which an individual goes through in the process of finally being a consumer. He come across the stages right from initial awareness to final adoption.

The adoption process can be summarized in to a generic model comprising of following five stages through which an individual passes: awareness, interest, evaluation, trial, and adoption (or rejection). This generic model of adoption assumes that when a new product/service is introduced, potential consumers initiate an information search which could be anything

between limited to extensive depending upon the nature of the product and their involvement levels.

The Adoption Process and the Facilitators: The information sources play a strong role as the facilitator in the adoption process. The information act as a strong factor straight from the stage of awareness to that of final adoption. Marketing communication and use of impersonal sources of communication such as print and audio-visual media has an important role to play in creating awareness about a new product or service offering. At the evaluation and trial stage the role of interpersonal sources of communication such as family, friends, peers and colleagues, as well as salespeople is essential.

Table 20.1: Models of Adoption Process

Model	Stages
Hierarchy of Effects Model	-Awareness: the stage involves initial awareness on the part of the consumer of the innovative product /service offering. -Knowledge: the consumer gets to know about the product/service, the attributes, features, benefits, price etc. -Liking: he develops feeling of like/dislike towards the innovation. -Preference: the feeling of like/dislike gets deeper into preference to buy or not to buy the innovative product/service. -Conviction: the consumer develops confidence and decides with certainty to buy the product/service. -Adoption: he finally goes and purchases the offering and uses it.
Robertson's Model	-Problem recognition: the consumer realizes that there is a need. -Awareness: he becomes aware of the product/service offering. -Comprehension: he gathers information on the various product/service offerings as also on the brands; he comprehends this information and develops an understanding of the product/service offering and the various brands. -Attitude: based on his comprehension, the consumer develops a feeling of liking/favorableness or dislike/unfavorableness towards the product/service offering and the various brands. -Legitimization: the liking/favorableness or dislike/unfavorableness towards the product/service offering and the various brands is confirmed with facts and logic as well as social influence. -Trial: the consumer goes and tries out the offering, but there is not yet any further purchase commitment. -Adoption: he has evaluated his experience with the product/service through trial, and finally goes and purchases the offering. -Dissonance: the consumer faces a dilemma as to whether he has made the right decision with respect to purchase and usage of the product/service.
Roger's Model	-Knowledge: the consumer becomes aware of the innovative product/service offering, and gains knowledge and understanding about the offering, features, attributes, benefits, value, price etc. -Persuasion: this is the stage of attitude formation; the consumer forms a favorable/unfavorable feeling towards the innovation. This depends on the perceived characteristics of the innovation (in terms of relative advantage, compatibility, complexity, trialability and observability). -Decision: based on his attitude, the prospect mentally decides to adopt/reject the product/service offering; he may purchase and use the offering, reject it or go in for another alternative. -Implementation: the consumer implements his decision; the stage involves trial and use of the innovative offering. -Confirmation: the consumer moves from a stage of trial (which entails no commitment to purchase/ repurchase), to final adoption (decision to use/reuse /patronize the offering). At this stage, he may seek some reinforcement and reassurance.

Source: Talwar, Vishal (2015)

Adopter categories: You should understand that not all the consumers try and adopt a new product as quickly as others. There are a few of them who are very quick and they try a new product instantly when it is introduced and there are other few who will take comparatively more time in trying and adopting the new product or service offering. Thus, researchers have categorised consumers on a continuum of an early adopter to a non-adopter categories. This categorization ranges from two or three or five category classifications. It is important to note here that the consumers would be categorised based on the nature of the good or service. Roger's has given a framework for classification of adopters, as per this classification consumers can be separated into five categories based on the time taken by them to adopt a new product or service. These five adopter categories are innovators, early adopters, early majority, late majority, and laggards. As per the inputs from the research, it has been witnessed that the five categories when plotted on a graph, lead to a bell-shaped normal distribution curve as depicted in the figure given below.
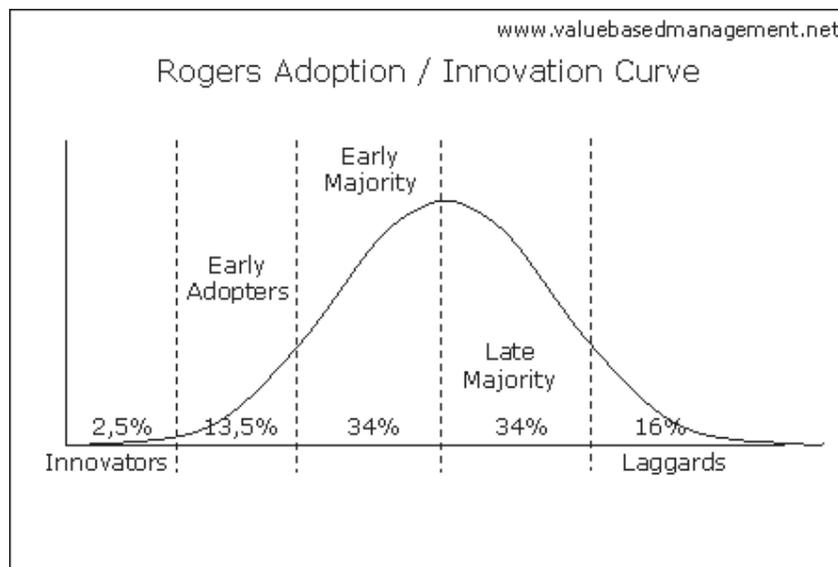
Fig 20.1 Rogers Adoption
Source: www.valuebasedmanagement.net

i) Innovators: The innovators categories comprise 2.5 percent of the target market(s) of adopters. Innovators are the first one to go and purchase a new product or service offering as soon as it is introduced in the market. These consumers purchase the new product and service offering as they desire for new ideas and concepts, and pursue product and service innovations and not because they necessarily need them. Their characteristics are: high self-confidence, risk takers, awareness levels are high, quick purchases, high purchasing power and access to new product and service offerings. Innovators are not generic in nature rather they are specific to a chosen product or service category. This means one consumer may be an innovator for one particular product and may not be an innovator for other products. For example, a photography enthusiast will be an innovator towards camera but may not be for garments.

ii) Early adopters: The next in the graph which represents 13.5 percent of the target market(s) are known as early adopters. Early adopters are those consumers' who buy the new product and service offering as they have the need for them unlike innovators who buy them as they are fascinated towards the 'newness' of these offerings. These consumers are often inclined to have some idea about the product or service category, and after gathering relevant information about the product and or brand they decide to purchase. These consumers majorly depends upon their group norms and they also act as a good opinion leaders. This makes them an easy and good target for the marketer.

iii) Early majority: The early majority consumers are similar to early adopters in terms of their behaviour as they also purchase the product or service offering due to the need they have then just going for its newness, but, they take little longer time as compared to them in making the purchase. The reason for this delayed purchase could be attributed to their lack of interest in the product or service category. Thus, this category of consumers will perform active collection of information, evaluation, and careful decision making which consumer time. This category consumer represents the next 34 percent of the adopters.

iv) Late majority: The next 34 % of consumers who adopt an innovation are known as late majority. They are known as "late," due to following reasons: a) members belonging to their social class, reference group and peer group have already bought the product or service by this time and they are experiencing strong social influence, and b) by now they themselves have appraised the new product or service and are prepared to purchase it. These consumers make a purchase when they have need and after much thought and deliberation along with the influence of their social groups they are now ready to make the purchase. By nature they are doubtful and confirm to social pressure. Marketer can use sources of interpersonal communication to convince this category of consumers.

v) Laggards: The last 16 percent of consumers in the adopter category account for laggards. They are the last one to try and adopt a new product or service. They show a very time consuming behaviour in making the purchase of innovative offering because, there involvement levels with the product and service are very low; they may not have required information; the impact of social pressure and groups is not much strong on them and they are the one who prefer buying a familiar offering than the unfamiliar offering.

20.4.2 DIFFUSION: MEANING AND PROCESS

"Diffusion" means a macro process that deals with the penetration of a new product or service offering in the target market segment and it deals with the acceptance or rejection of an innovation by its potential consumers. Diffusion of Innovation means the process of absorption and assimilation of an innovation by the market. The simple understanding of the term diffusion is:

- Transfer of information to customers about innovations

- Decisions by buyers to adopt the innovative product or process

- Eventual saturation of the market by the new generation of products or processes

Schiffman defines diffusion, as "the process by which the acceptance of an innovation (a new product, 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 definition comprises four basic elements of the diffusion process:

i) Innovation: This means how new a product or service is.

ii) Communication channels: Both marketer led sources of communication i.e. personal selling, advertising, sales promotion and direct marketing and non-marketer dominated sources such as customer reviews and testimonials and word of mouth are considered here.

iii) Social system: This refers to the social setting in which the diffusion takes place. The scope and definition of social system will vary from product to product and its target market. Let us understand this with the help of an example, if a new baby food is launched by a company then it's ideal social system will be newly formed mothers. The social system influences the diffusion process for a product or service as it affects the interpersonal communication, word of mouth, opinion leadership operating in a given social system. Further, culture, values and traditions of a social system also influences diffusion. Thus, we can say that the impact of social system is acute on the adoption and integration of the innovative product or service. The marketer is required to take the social system in consideration while designing his product and other elements of the marketing mix.

iv) Time: This also has a significant impact on the process of diffusion in the target market. Marketers need to determine the total time required for a new product or service to get adopted by the market at large. Generally, it is found that lesser the average purchase time, faster will be the rate of diffusion.

Let's consider the speed of Diffusion for following Innovations in US market (25% Adoption):

- Automobile: 58 years

- Telephone: 36 years

- Radio: 22 years

- Personal Computer: 16 years

- Mobile Phone: 13 years

- World Wide Web: 7 years

(Source: http://www.papercamp.com/essay/111315/Asedfadsf)

20.4.3 BASS DIFFUSION MODEL AND DIFFUSION PATTERNS

The Bass diffusion model describes the first purchase and diffusion of innovative new durables in the target market. It states that there are two distinct types of influences on potential consumers. The influences are:

- The intrinsic desire to adopt an innovation: This is known as the innovation effect and the customer are known as Innovators.

  - Consumer characteristics.

  - Marketing-mix activities.

- The influence of social interactions (e.g., through word-of-mouth WOM) with consumers who have already bought and it is referred as the imitation effect. These customers are known as imitators.

The image given below represent the influence the both:
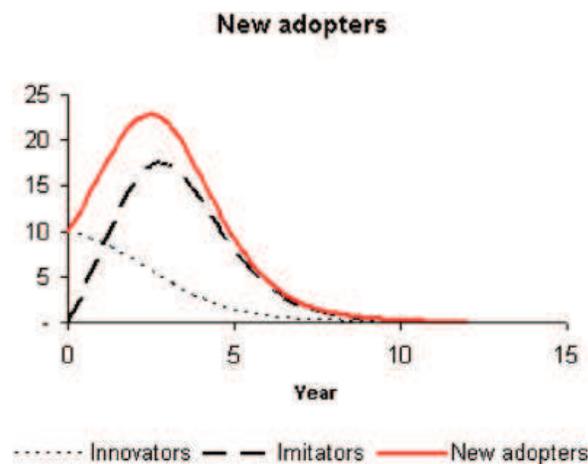
Fig 20.2 New Adopters

Source: https://www.researchgate.net/figure/282626541_fig1_Fig-1-A-typical-textbook-illustration-of-diffusion-patterns-in-the-Bass-model

Diffusion Pattern: As per the factors discussed above there could be different patterns of diffusion.

i)Innovation with strong innovation but weak imitation effect: This diffusion pattern talks about those innovations which are very quickly adopted by the target market but the imitation effect i.e. influence of social interactions is less for them. The acceptance of new fashion and styles.
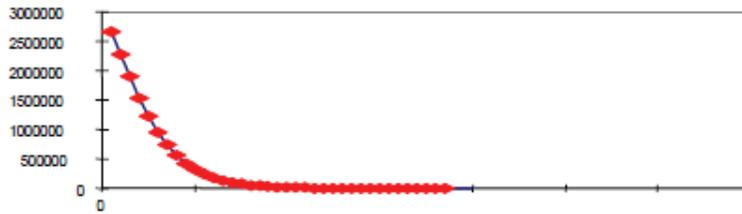
Fig 20.3

Source: Wikipedia

ii)Innovation with weak innovation but strong imitation effect: This pattern represent those innovations which are influenced by strong social interaction and thus have weak innovation but strong imitation effect such as acceptance of Rap music among youth.
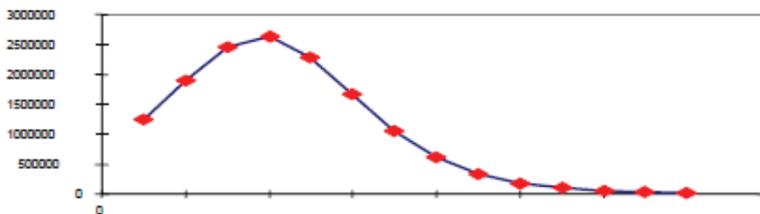

Fig 20.4

Source: Wikipedia

The image given below depicts the method of predicting diffusion based on the Bass model.
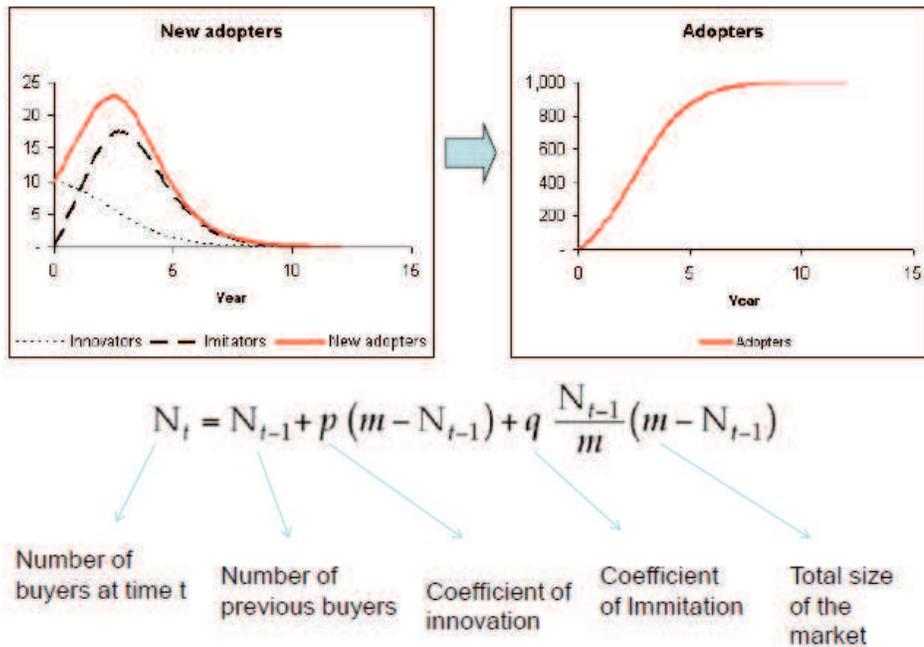
Predicting Diffusion: The Bass Model

$$N_t = N_{t-1} + p\,(m - N_{t-1}) + q\,\frac{N_{t-1}}{m}(m - N_{t-1})$$

Number of buyers at time t   Number of previous buyers   Coefficient of innovation   Coefficient of Immitation   Total size of the market

Fig 20.5 Predicting Diffusion

Source: Wikipedia

20.4.4 ROGER'S DIFFUSION CURVE

As discussed in the adopter categories, Roger has given five different categories in which adopters could be classified. This curve given below depicts the diffusion of different internet and communication technologies across the different adopter categories over a period of time. It also represents the profit opportunity available to the marketers of these technologies across the different categories of adopters.
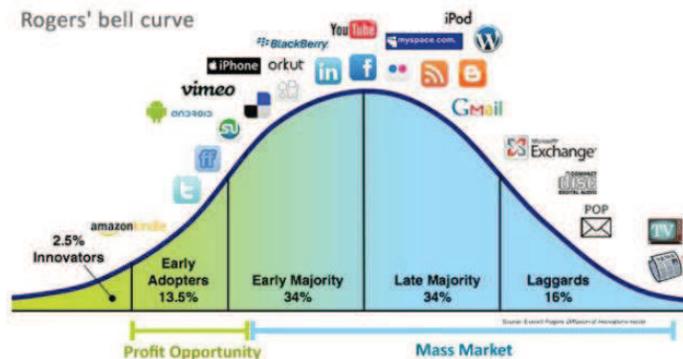

Fig 20.6 Rogers' Bell Curve

Source: http://designdamage.com/blog/index.php/200909/when-to-adopt-social-media-for-your-business/

20.4.5 PRODUCT BASED FRAMEWORK FOR DIFFUSION

The diffusion process and acceptance of innovative products and services by consumer is influenced by different product and service characteristics. Roger's (1995, 2003) has given a product based framework which consists of five different factors which affect the rate of diffusion. These factors are:

- Relative advantage: 'the degree to which an innovation is perceived as   being better than the idea it supersedes'. For example Examples of innovations that provide relative advantage are, flash drives versus compact discs, laptops versus computers, or digital libraries versus traditional libraries, ATMs versus bank teller counters.

- Compatibility: 'the degree to which an innovation is perceived as   consistent with existing values and values of the potential adopter. For example if a new brand of coconut oil is introduced in north India as a healthy cooking oil, its penetration will be slow as it is not compatible with north Indian cooking practices.

- Complexity: 'degree to which an innovation is perceived as relatively   difficult to understand and use'. The younger generation is quick to use ATMs, netbanking and mobile banking as compared to older generation as the senior citizen find it complex to use.

- Trialability: 'degree to which an innovation may be experimented with on a   limited basis'. FMCG has quick diffusion as they could be packed in small sizes and made available for trial purposes.

- Observability: 'degree to which the results of an innovation are visible to   others'

Assessment using Product Based Framework for Diffusion of:

Smelly Computers & Segways

	Segway	Smelly computers
Relative Advantage	•Costlier in comparison to most alternatives (an expensive alternative to walking, biking etc.)	•Unclear why one needs odours
Compatibility	Confusion about where to use (sidewalks traditionally reserved for pedestrians)	•Inconsistent with people's experiences of PCs
Complexity	•Consumers initially uncertain about the technology and the ease of use	•Complex to understand •Easy to use
Trialability	• Trials possible	•High cost of service and product •Store demos possible
Observability	•Highly visible product •Will foster a strong desire to trial	•Likely to have high word of mouth and visibility

Image and Table 20.7 (Source: Talwar, Vishal 2015)

20.4.6 GENERIC MARKETING ACTIONS

The different marketing actions required to be taken by the marketer to increase the pace of diffusion as per the product based framework are:

Relative Advantage: The marketer can enhance the relative advantage of a new product or service by-

- Changing its pricing strategy (e.g. reducing price, partitioning price over time, performance based pricing)
- Market segmentation (e.g. first to market to those with greatest need)
- Product design (e.g. focus on features whose benefits are most apparent)
- Promotion/Consumer education (e.g. explain benefits of product features)

Compatibility: The diffusion can be accelerated by increasing the compatability for new product or service such as-

- Framing/Positioning (e.g. position so as to be consistent with existing values/norms

- Product Naming (e.g. name so as to foster appropriate comparisons)

Complexity: The complexity of the innovation should be reduced to make it readily adoptable. This could be done by-

- Promotion/Consumer Education (e.g. explain the complexity of the technology)
- Product design (e.g. simplify product usage)

Triability: The marketer should take necessary action to increase the triability of the new offering:

- Promotion (e.g. free samples for inexpensive products, introductory or free trial period for more expensive products)
- Product placement (e.g. place product in places that are generally accessible to consumers)

Observability: The benefits of the new product or service over the earlier offering should be made observable by-

- Product design (e.g. increase visibility of product where possible)

20.5 OPINION LEADERSHIP

The innovative products and services are required to be diffused in the target market for the commercial success of the marketer. The process of diffusion and its patterns are discussed in the section above. In Bass diffusion model, you have studied that how interpersonal communication and word of mouth influence the attitude and purchase decision of others. An individual whose opinion matters to others and one who can influence their purchase decision and attitude is known as an Opinion Leader and the process of influencing others is referred as Opinion Leadership.

The marketer can penetrate deep in the market by identifying opinion leaders, and understanding their behaviour. After identifying them, marketers can target their marketing mix and strategies to them. The opinion leaders as a consequence will spread word of mouth and influence the consumption of other consumers in the target market.

20.5.1 MEANING AND CHARACTERISTICS

Opinion leaders filter, interpret and deliver information for consumers within segments.They are specific to a particular product-category or activity-group. Opinion leaders are considered to have better product knowledge, greater exposure to relevant media, and more outgoing personalities as compared to other customers who are known as opinion receivers or followers. However, they are similar in terms of their demographics to their followers. At times it a situational variable or dissatisfaction from a product which motivates many individuals to act as temporary opinion leaders. Situations in which opinion leadership occurs:

– An individual exchanges information with another

– An individual volunteers information

– As a by-product of normal group interaction

In the words of Schiffman. 'Opinion Leadership is the process by which one person (the opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients'.

The role of opinion leaders is important in the relationship of the marketer and the consumer. He is the one who informally informs guides and advice the consumers regarding the product and service offerings and/or brands. He is someone whose personal experience matters to others in the target segment. They play the role of an authority figure on the given product or service (like a master chef winner will influence the purchase of kitchen accessories), a trend setter (someone who try new fashion at first) in the segment and a local opinion leader.

The opinion leaders possess following characteristics in general:

– They have enduring involvement with product category

– They operate primarily through interpersonal communications and observation

– Their demographic characteristics are similar to the group

– They believe in public individuation i.e. attention seeking

– They have high level of exposure to media

– They act like market maven i.e. expert on all products!

– They may be motivated by their dissatisfaction and want to tell others of their negative message

– They are not generic in nature

The various factors which motivate opinion leaders are:

– To reduce their own post-purchase dissonance

–   To obtain tangential personal benefits

–   Given their high levels of product involvement

–   High involvement in message

21.5.2 MARKETING IMPLICATIONS OF OPINION LEADERSHIP

The understanding of informal interpersonal communication via opinion leadership is of great significance for a marketer. The opinion leader not just provides information, advice and experience about new products and services to opinion receivers or seekers but it also reduces their cognitive and psychic efforts in the purchase decision making. Marketer have understood that opinion leaders are a credible sources of WOM communication and they successfully apply great amount of influence on consumers' choice and preferences in the actual purchase process. Thus, the marketers should:

–   Identifying opinion leaders

–   Targeting for marketing research

–   Product sampling

–   Retailing/personal selling

–   Advertising attempts to encourage and simulate opinion leadership

The different methods of measuring opinion leadership are explained in the table given below:

Opinion Leadership Measurement Method	Description of Method	Sample Questions Asked
Key Information Method	Carefully selected key informant 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?'

Check Your Progress- B

Q1. Discuss the factors affecting Diffusion of Innovation/Adoption Process.

Q2. What marketing strategies should be adopted by the marketer to pace the process of diffusion?

Q3. Write short notes on Bass diffusion model.

Q4. What are the different patterns of diffusion?

Q5. Explain what you mean by "Adopter Categories".

Q6. What motivates a person to be an opinion leader?

Q7. Fill in the blanks-

    i.   _____ is the extent to which customers consider a new product better than the earlier ones.

    ii.   The higher/lower the degree of _____of innovation, the greater would be the rate of its diffusion.

    iii.   Generally speaking, the consumer passes through five stages of adoption, viz., awareness,

    iv.   _____, _____trial, and adoption (or rejection)

    v.   A vital link between marketer and consumers is established by _____.

Q8. True or False

    i.   Marketers can enhance the relative advantage of a new product by reducing its price.

    ii.   The launch of small sachet is a strategy to increase compatibility of an innovation.

    iii.   Rap music is an example of an innovation with strong imitation and weak innovation effect.

    iv.   Effect of word of mouth is known as imitation effect.

20.6 SUMMARY

This unit has covered the concept of innovation and its types. The different kinds of innovations such as continuous, dynamically continuous and discontinuous innovation. The process of diffusion is also discussed in this unit. Then, we have discussed the factors which affect the rate of diffusion. The factors discussed are relative advantage, compatibility, complexity, triability and observability. The different categories of adopters as suggested by Roger are explained in this unit. The Bass diffusion model and different patterns of diffusion based on innovation and imitation effect are explained. You have learned that how marketers can formulate different marketing strategies based on marketing mix elements to increase the rate of adoption in the target market. The concept of opinion leadership and its relevance in marketing is discussed in detail. The characteristics and motivations behind opinion leadership is also covered.

20.7 GLOSSARY

Innovation: Anything new or perceived to be new by the market or a firm.

Continuous innovation: When an incremental innovation is done in an existing product it is known as continuous innovation such as update in the version of mobile phone.

Discontinuous innovation: A major innovation which is capable of bringing a change in the consumer behavior is termed as discontinuous innovation such as advent of internet banking from manual banking.

Adoption is defined in terms of the different stages through which an individual customer passes in the process of accepting or rejecting a new product or service launched by a marketer.

Diffusion of Innovation: It means the process of absorption and assimilation of an innovation by the market.

Product based framework: Roger has given a framework comprising of five factors based on which a marketer can predict the diffusion of its new product or service.

Bass diffusion model: A model given by the researcher Bass to determine the factors influencing the diffusion of an innovation.

Opinion Leader: An individual who influences the choice and purchase decision of others.

20.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. True/ False

     i.   False

     ii.   False

     iii.   True

     iv.   True

     v.   True

Q5. Fill in the Blanks with appropriate word or words.

i. Change in the color and fragrance of a bathing soap is an example of <u>Continuous </u>innovation.

ii. The transformation of manual banking in to online and mobile banking is <u>Discontinuous</u> innovation.

iii. A product or process can be new or perceived to be new to the <u>Customer</u>, new to the national market, or new to the global market.

iv. An invention will be considered as an innovation if it has <u>Commercial</u> use.

Check Your Progress –B

Q7. Fill in the blanks-

i. <u>Relative advantage</u> is the extent to which customers consider a new product better than the earlier ones.

ii. The higher/lower the degree of <u>Trialability </u>of innovation, the greater would be the rate of its diffusion.

iii. Generally speaking, the consumer passes through five stages of adoption, viz., awareness,

iv. <u>interest, evaluation</u>, trial, and adoption (or rejection)

v. A vital link between marketer and consumers is established by <u>opinion leaders</u>.

Q8. True or False

i. Marketers can enhance the relative advantage of a new product by reducing its price. True

ii. The launch of small sachet is a strategy to increase compatibility of an innovation. False

iii. Rap music is an example of an innovation with strong imitation and weak innovation effect. True

iv. Effect of word of mouth is known as imitation effect. True

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20.11   TERMINAL QUESTIONS

Q1. What is innovation? Explain different types of innovations with suitable examples.

Q2. Explain the concept of adoption process. Discuss the different stages of adoption process with suitable examples.

Q3. Explain five factors based on product framework that can act as triggers to the diffusion process.

Q3. Discuss the traits and characteristics of Opinion Leaders.

Q4. Explain with examples, how marketers can encourage Opinion Leadership through their marketing strategies

UNIT 21 CONSUMER DECISION PROCESS

21.1 Introduction

21.2 Learning Objectives

21.3 Consumer Decision-Making Process

21.4 Consumer Decision-Making and Involvement

21.5 Factors Affecting Decision-Making Process

21.6 Summary

21.7 Glossary

21.8 References/ Bibliography

21.9 Suggested Readings

21.10 Terminal & Model Questions

21.1 INTRODUCTION

Kamlesh is a first year MBA student in a college. He has been working part time as well in a local restaurant as an accountant trying to earn enough money to buy a motor-cycle. His old motor-cycle he had been using finally died having served his family for many years. The past few months were very tough for him – taking the auto, relying on friends for a ride and at times walking. His father taking account of his hardships decided to come to rescue him and decided to support him by making part payment for his new bike. On knowing this Kamlesh had already envisioned himself on a Royal Enfield – Classic which has been very popular lately. But, upon meeting his father, Kamlesh realized that his resources are rather limited and his father also able to contribute a very small part of it. Kamlesh, therefore decided to settle down for an old Royal Enfield rather than a new one. Initially, Kamlesh wanted to buy the Classic 500 CC model which was around two to three years old. He looked for few possibilities through references and online advertisements on OLX but could not find any matching his budget. He finally decided he will rather buy a two to three years old Pulsar which was also popular amongst the youth and was well in his budget. On Sunday morning, Kamlesh flipped newspaper and looked into classified section for any old pulsar bike. He could finally find two bikes that were within his price range and other criteria. On Monday, Kamlesh along with his father went to see the two bikes. The first bike was owned by a school student who now has got the upgrade to a new cruise bike from Bajaj. His bike was in good shape as managed single-handedly throughout. Kamlesh took a test ride and was

satisfied. On his way to check the second bike Kamlesh to his surprise notice a billboard mentioning the launch of a new certified second hand bike seller. On his way back from checking the second bike which he and his father did not like as it was demanding lot of over-hauling both of them decided to check –in with the certified seller.

Upon entering the premises Kamlesh could notice several second hand bikes. He could also notice a Royal Enfield Classic 350 which he was earlier keen to purchase. Upon testing the bike Kamlesh and his father realised the worth and finally settled to go for it.

The above example depicts a complex process of purchasing that involves several decisions. A decision involves a choice "between two or more alternative actions or behaviours."[1] Decisions always require choices between different behaviours. For instance, Kamlesh in the above example chose to purchase Pulsar from a first party looking into classified. However, he finally bought it from a certified second-hand seller after getting to know about it through a billboard. We frequently make these choices between different behaviours. For example, whether to go and play snooker with friends or watch movie with family on a weekend? Eating a full course Indian meal or stick to eating Chinese fast food. From eating Chinese to buying a bike and in between playing snooker with friends all involves making a choice.

Marketers are interested in understanding consumer's buying behaviour. Once they are able to understand the way consumer behave, a better possibility of crafting and communicating products and services will pave way for a consumer to make a choice.

The current unit deals with understanding the consumer decision-making journey and how companies can utilise this understanding in creating products and services that add value to consumer's buying behaviour.

21.2 LEARNING OBJECTIVES

After completing this unit participants will be able to:

- Enlist and discuss the different components of the consumer decision-making process
- Identify the types of consumer buying decisions and discuss the significance of consumer involvement
- Identify and understand the cultural factors that affect consumer buying decisions
- Identify and understand the individual factors that affect consumer buying decisions
- Identify and understand the social factors that affect consumer buying decisions

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[1] Flemming Hansen, "Psychological Theories of Consumer Choice," Journal of Consumer Research, December 1976, pp, 117 – 42

- Identify and understand the psychological factors that affect consumer buying decisions

21.3   CONSUMER DECISION-MAKING PROCESS

Recall the pattern analysis on internet conducted by companies and research conducted by Massachusetts Institute of Technology (MIT) in the previous chapter. Moving further researchers have attempted to study and document consumer's reaction towards a product or a service using brain scanning. In the research people were asked different questions about different products and their scans were compared with what they were actually thinking. Marketers are always keen to know what people think about a particular product or a service.

A recent report, published jointly by Facebook and Bain & Company highlighted the rise of digital platforms and their impact on automobile industry. The digital platforms have completely transformed the ways consumers now research and buy cars. "The report assesses that by 2020, almost 70% of annual auto sales (about 19 million units or $40 billion) will be digitally influenced." Imagine how powerful this information will be for anyone working in the automotive sector.

We have seen already that studying consumer's buying habits is very important and holds true for big as well small or medium sized companies. Across the world irrespective of the size of the firm, marketers are trying out newer ways to understand the consumer buying behaviour.

We therefore witness companies like, Proper Cloth, a company based in New York, which has a page on Facebook to continuously post a new bulletin or photos of its clothes. The Facebook fans linked with the page automatically receive the information on their own Facebook pages. "We want to hear what our customers have to say," says Joseph Skerritt, the young MBA graduate who founded Proper Cloth. "It's useful to us and lets our customers feel connected to Proper Cloth."[2]

Consumer decision making is a problem-solving process by which consumers identify their needs, collect information, evaluate alternatives and make the purchase decision. John Dewey introduced the stages in the process which refer to the choices that a consumer makes before, during, and after they purchase a product or service. The process is influenced by variety of factors including cultural, individual, social and psychological.

For many years marketers have utilized the "funnel" approach to understanding the consumer decision-making journey where consumers start with a number of potential brands in mind(the wide end of the funnel), directing marketing efforts systematically to reduce that number and move through funnel, and finally emerging with one brand they chose to purchase. The figure below depicts the traditional funnel approach towards consumer decision-making journey.

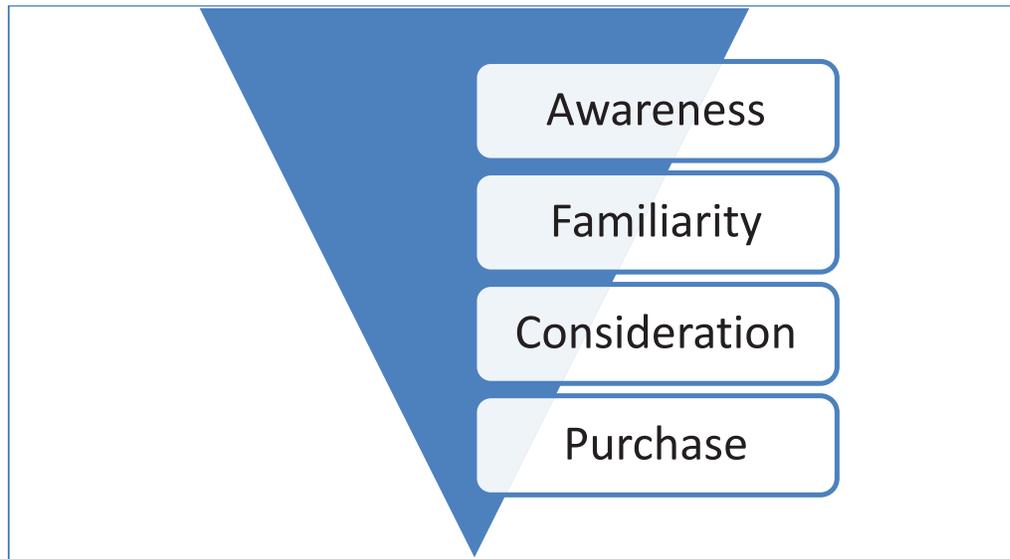[2] Rebecca Knight, "Custom-made for E-tail Success," *Financial Times*, March 18, 2009, 10.

Figure 21.1: Funnel Approach to Consumer Decision-Making

Though the funnel approach is not that powerful today in incorporating changes brought by technological enhancements that facilitated e-commerce, digital marketing and even a more informed customer; it is still very useful in outlining the consumer decision-making process.

A simple decision-making process can be outlined as below.

Figure 21.2: Consumer Decision Making Process

We shall now discuss the steps in the consumer decision-making process in detail.

1. Need/Problem Recognition

Need recognition or problem recognition is the first stage in the consumer decision-making process and occurs when consumers are faced with an imbalance between actual and desired states. Recognizing the problem or need and what product will satisfy the need is a very crucial step. Unless consumer recognizes this felt deprivation he will not consider any product purchase. In the traditional funnel approach this is referred to as "Awareness".

Need recognition takes place when a consumer is exposed to a stimulus. A stimulus refers to as any input affecting one or more of the five senses – sight, smell, taste, touch & hear. The stimulus can be either internal or external.

Internal stimuli refer to changes to the conditions inside the body. These are occurrences we experience. For example, when we experience thirst or hunger it is primarily due to internal stimuli. External stimuli are information from outside the body that our senses detect. These are influences from an outside source. For example, an advertisement, design of a package or someone's recommendation of a movie.

The needs further can be converted successfully into wants and eventually create demand for a particular product or a service. Marketers strive to create wants where a consumer has identified an unfulfilled need and has determined that a particular good or service will satisfy it. For example a consumer may have felt deprivation to eat. Any product can satisfy his need but when he refers to only eating a burger, wants exist. Marketers create demand out of wants by providing them what they seek.

2. Information Search

Information search is the second of the five stages of consumer decision-making process. The stage is characterised by persuasion of information about satisfying the need. The information search can be done either internally or externally. This stage is very crucial as the consumer seeks value in a perceived product or a service. According to the tradition funnel approach consumer during this stage is all the more familiar with the various options available to him.

In an internal information search a consumer identifies alternatives by recalling from his own memory. This is made possible through previous first hand experiences the consumer had while having used a product or a service. For example, the mobile phone used of a particular brand or room quality and staff's courtesy extended during a stay in a hotel. The internal information search is mostly used in case of low involvement decisions.

It is not always possible to have experiences with all the products or brands. The external information search is utilized when consumer has no prior experience or knowledge of the product. In such cases a consumer seeks information from personal sources, public sources or market dominating sources. The external information search is mostly used in case of high involvement decisions. For example, while buying a new car a consumer may ask friends' opinions, read reviews in *Consumer Reports*, consult several web sites, and visit several dealerships.

3. Evaluation of Alternatives

The next stage in the consumer decision making process is the evaluation of alternatives. The stage is characterised by comparisons of brands and products within the evoked set. An evoked set which is also referred to as a consideration set at times is nothing but a group of favourable and familiar brands that a consumer thinks of while deciding to make a purchase. Marketers strive to include their brands in the evoked set so that they have higher chance of getting noticed and purchased. As the name suggests, during this stage based on the scale of attributes or features of the product or a brand as evaluation is undertaken by the consumer.

4. Purchase

After a successful evaluation of alternatives that are available, the consumer decides to purchase or not to purchase the product. The stage clearly demands three important actions from the consumer:

- Whether to Buy?
- When to Buy?
- From Whom to Buy?

The final decision to purchase however can be affected by negative feedback from the others about the product/brand. Also situational factors like closing of the store etc may defer consumer from the purchase.

5. Post Purchase Behaviour

The final stage in the consumer decision-making journey is that of post purchase behaviour and is characterized by consumer's evaluation of satisfaction and dissatisfaction levels of the purchase undertaken. The levels of satisfaction and dissatisfaction significantly influence consumer's choice to purchase the product again or consider other products within the brand repertoire. The stage is also very important as the consumer will be able to influence decisions of others too.

Yet another important related concept worth discussing during this stage is that of cognitive dissonance. This may be referred to as buyer's remorse or feelings of post-purchase psychological tension or anxiety. For example a consumer may feel that the choice made by him is not appropriate. He might get exposed to an advertisement that promotes a competitive brand and suggests that his purchase decision was incorrect. At times customer may change his decision or no longer relates himself with the product. It is extremely important for marketers during this stage to be responsive and sensitive and design programs in post-purchase communication. Offering money back guarantee is one such program that is aimed at reducing cognitive dissonance.

21.4   CONSUMER DECISION-MAKING & INVOLVEMENT

It is not at all necessary that all the consumers are equally involved in the decision-making process. A varied degrees of involvement exist which can be represented on a continuum. The concept of consumer involvement is credited much to the work of Herbert Krugman, who argued that consumers approach the market and the corresponding product/service offerings with varying levels and intensity of interest and personal importance.

In simple terms consumer involvement refers to the amount of time and effort spent by a consumer in the search, evaluation, and decision processes.

The exhibit below depicts the continuum on which consumer involvement can be explained.

Exhibit 21.1: Continuum of Consumer Buying Decisions

	Routine	Limited	Extensive
Involvement	Low	Low to Moderate	High
Time	Short	Short to Moderate	Long
Cost	Low	Low to Moderate	High
Information Search	Internal Only	Mostly Internal	Internal & External
No. of Alternatives	One	Few	Many

All the buying decisions that a consumer take falls on the continuum depicted above. The buying decisions fall within the range of routine, limited and extensive. Furthermore, the goods and services under the three broad categories can be described on five factors including, involvement, time, cost, information search and number of alternatives.

The routine decision-making behaviour may also be referred to as habitual response behaviour. It is a type of purchasing scenario where the consumer automatically takes a decision to buy a good or a service again owing to its own past experience of using it. This type of response behaviour is common with the goods and services which are purchased frequently and are low cost. The goods and services under this category are low involvement products as very little time is spent on search and decision-making before the purchase. Examples of routine response behaviour include beverages, snacks, etc.

The limited decision-making occurs when a consumer buy a product occasionally. The consumer has a past purchase experience of the product but is unaware of the other brands available within the product category. The decision-making there requires moderate amount of time for information gathering and purchasing. The behaviour is associated with lower levels of involvement though slightly higher than the limited response. Examples of limited response behaviour include buying clothes, buying cosmetics etc.

The extensive decision-making is a very complex response and occurs when a consumer is buying an expensive, unfamiliar and infrequently bought product. The behaviour involves very high level of involvement as the consumer spends lot of time in information search and purchase. Examples of extensive decision-making include buying cars, houses, computers, education etc.

21.4.1 FACTORS DETERMINING LEVEL OF CONSUMER INVOLVEMENT

Several factors determine the level of consumer involvement in a purchase decision. These include previous experience, interest, perceived risk, situation and social visibility. These are depicted below in the figure.
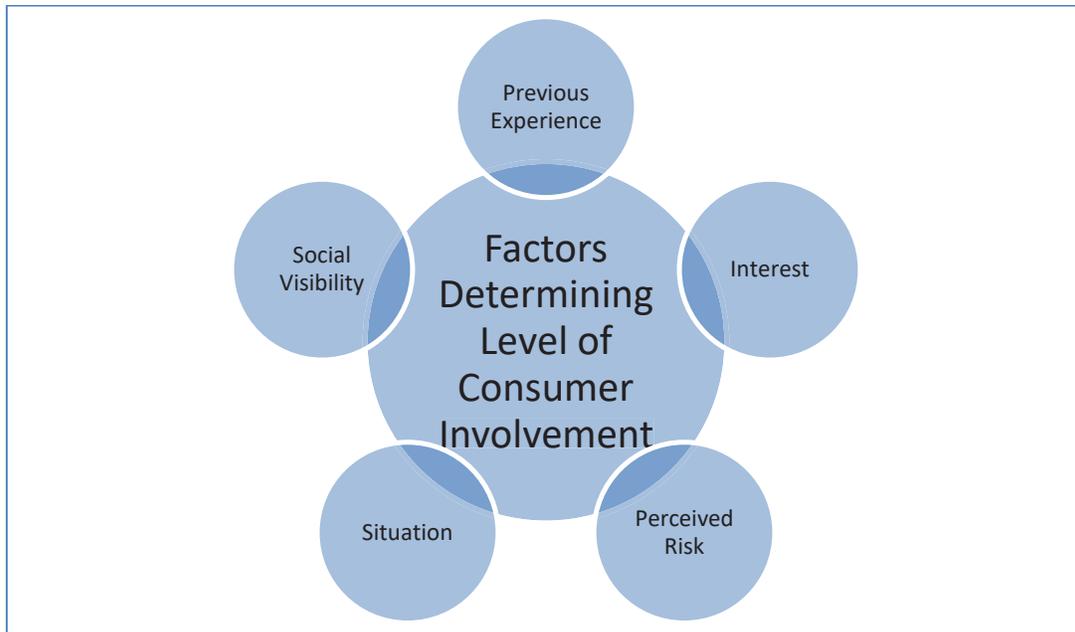
Figure 21.3: Factors Determining Level of Consumer Involvement

We shall deal with the factors briefly here under.

1. Previous Experience: Consumer's involvement in the purchase decisions is bound to decrease if a previous buying experience exists. With repeated purchases a consumer is able to follow a pattern and make quick choices. On the contrary, if the previous experience does not exist the level of involvement will go up.

2. Interest: Consumer interests and involvement are closely knit. Every individual has its own interest and the response behaviour will be made in the direction close to the interest. Products and services like cars, bikes, music, movies etc are dependent on the consumer's interest and involvement will be likewise.

3. Perceived Risk: Every decision-making is associated with a risk. These can include financial, social or psychological risk. Consumer response or involvement in a purchase decision is likely to increase if the risk perceived by him is on the higher side. For example in case of an expensive purchase which associates financial risk, consumer's involvement will be automatically higher.

4. Situation: The situation or conditions during which a purchase is being made affect the involvement levels. Situation could result into transformation of low involvement to high and

vice versa. For instance, a consumer might end up buying an expensive wine for a party as compared to the inexpensive one for his daily consumption.

5. Social Visibility: Consumer involvement increases when the product purchase gets linked with the social status. The type of designer clothes, brand of car, jewellery, furniture etc are all associated with status and therefore increase the involvement level.

Worldwide, marketers consider the levels of consumer involvement in designing marketing strategy. For a high level of involvement in product purchase marketers choose to promote products through advertisements which are extensive and informative. Such advertisements clearly promote the benefits and advantages of possessing a product.

On the contrary, strategies like good display, discounts, coupons, buy one get one free etc are frequently resorted for product purchase in low-involvement situations.

21.5 FACTORS AFFECTING CONSUMER DECISION-MAKING PROCESS

The consumer decision-making process operates in an environment. This environment is affected by several factors that influences the decision-making at each levels of the process i.e., from need recognition to purchase.

A number of experts in consumer behaviour have classified the factors that influence consumer decision into several categories (Tanase, 2009), Dubois and Jolibert (Dubois and Jolibert, 1989) divided these factors into:

- Individual factors: risk perception, individual personality, way of life;
- Environmental factors: family, social status, social class, economic, culture.

Phillip Kotler (Kotler, 1997) classified the factors that influence consumer decision in:

- Cultural factors: culture, subculture, social class;
- Social factors: family, reference groups; o Personal factors: age, occupation, personality, lifestyle;
- Psychological factors: motivation, perception, attitude, belief, learning.

R. Boier (Boier, 1994) classified factors that determine consumer decision in:

- Individual factors: needs, motivation, personality, attitude;
- Social factors: family, reference groups, social class;
- Cultural factors.

On the basis of categorization proposed four our understanding we shall discuss the four factors influencing consumer decision-making process. The figure below depicts the four important factors that affect the consumer decision-making.
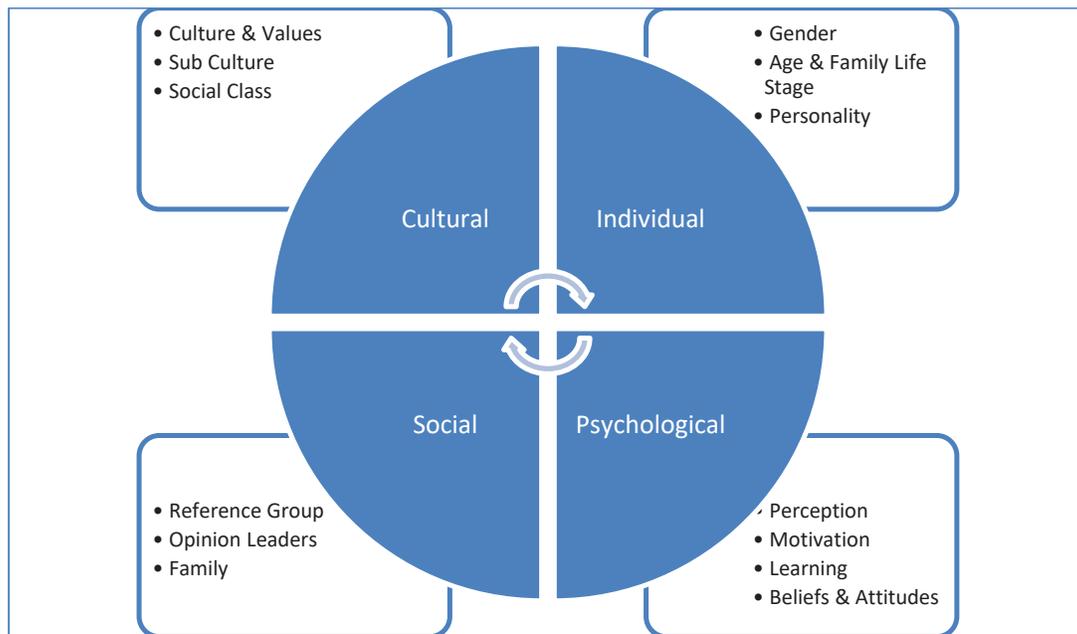

Figure 21.4: Factors Affecting Consumer Decision- Making Process

21.5.1 CULTURAL FACTORS INFLUENCING CONSUMER DECISION-MAKING

Perhaps if any external factor that influences consumer decision-making is that of culture. Sociologists in the past have attempted to define culture in variety of ways. The American anthropologists, Kroeber and Kluckhohn in 1952, critically reviewed concepts and definitions of culture, and compiled a list of 164 different definitions.

Ralph Linton states that, "The culture of a society is the way of life of its members; the collection of ideas and habits which they learn, share and transmit from generation to generation." [3]

Clyde Kluckhonh states that, culture is a 'design for living' held by members of a particular society.[4]

Geert Hofstede defines culture as "*the collective programming of the human mind that distinguishes the members of one human group from those of another.*"[5]

Campbell defines culture as "*a complex web of information that a person learns and which guides each person's actions, experiences, and perceptions.*"[6]

Banks defines culture as "*the behavior, patterns, symbols, institutions, values, and other human made components of the society*".[7]

Patricia Marshall defines it as "*consistent ways in which people experience, interpret, and respond to the world around*".[8]

The various definitions of culture have also supported in outlining the characteristics of culture. The exhibit below lists few of them.

Exhibit 21-2: Characteristics of Culture

- Culture is learned
- Culture is associated with social groups
- Culture is both an individual construct and a social construct
- Culture is subject to gradual change
- Culture is manifested at different layers of depth

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[3] Linton, R., 'Present World Conditions in Cultural Perspective', in The Science of Man in World Crisis edited by R. Linton, Columbia University Press , New York, 1945

[4] Kluckhohn, C., 'The Concept of Culture' in The Policy Sciences edited by D. Lerner and H.D. Lasswell, Stanford University Press , Stanford, 1951

[5] Di Geert H. Hofstede, "Culture's consequences: international differences in work-related values". SAGE, 1984 – 327 (p. 21)

[6] D. E. Campbell, Choosing Democracy, 2nd ed. (Englewood Cliffs, NJ: Prentice-Hall, 2000), 38.

[7] J. Banks, Teaching Strategies for Ethnic Studies, 5th ed. (Englewood Cliffs, NJ: Prentice-Hall, 1984), 52.

[8] Marshall, P. L. (2002). Cultural Diversity in Our Schools. Belmont: Wadsworth.

- Culture affects behaviour and interpretations of behaviour
- Culture is different from universal human nature and unique individual personality
- Culture influences biological processes

Marketers must understand culture and values associated with it, sub culture and social class in any society as they influence the decision-making process to a great extent.

(i) Culture & Values

Culture consists of several elements including values, language, myths, customs, rituals, and laws. It is a deciding factor of human behaviour and offers order, direction, and guidance in all phases of human problem-solving. Culture is transmitted from one generation to other through language, symbols, rituals and sharing of culture and plays a significant role in decision-making. For instance, an individual's eating habits will be transmitted from one-generation to the other. A vegetarian family will transmit eating of vegetarian food throughout. This clearly will have useful implications for the marketers.

One of the most important elements of culture that influences consumer decision-making is that of value. Values differentiate between the desirable and undesirable in a society and provide goals to the members to achieve.

Sociologist M. Haralambos defines value as, "a belief that something is good and worthwhile. It defines what is worth having and worth striving for."

Peter Worslay says, "General conception of "the good", ideas about the kind of ends that people should pursue throughout their lives and throughout the many different activities in which they engage."

People with similar values respond in a particular and same manner in marketplace. Marketers must identify and understand the values and strategize accordingly. For example convenience orientation of Americans created market for products such as breakfast bars, energy bars, and nutrition bars that allow consumers to eat on the go.

In the global times now where all the companies of the world are doing business with the other countries understanding the cross cultural patterns become all the more important. Failing to understand will create problems and it will be difficult to sustain the competition. For example, in China white is the colour of mourning and red is used for celebrations like wedding.

Language is yet another important element within the culture that has significant implications for marketers. Every culture has its own language and dialects and do's and don'ts associated with them. Marketers must take this into account while designing any kind of a promotional message. The exhibit below lists some of the cultural blunders that have influenced consumer's decision-making.

Exhibit 21.2: Cultural Blunders

- The famous cereal producer Kellogg had to rename its Bran Buds cereal in Sweden as the name was roughly being translated as "burned farmer."
- Pepsico had to face embarrassment when they advertised Pepsi in Taiwan with the ad "Come Alive With Pepsi". The advertisement got translated into Chinese as "Pepsi brings your ancestors back from the dead."
- In one case American medical containers distributed in Great Britain caused quite a swirl due to the instructions mentioned that said, "Take off top and push in bottom". Though inoffensive to Americans, it had very strong sexual connotations to the British.
- In one of the campaigns for Schweppes Tonic Water in Italy the translation changed the name into "Schweppes Toilet Water."
- In Indonesia an American oil rig supervisor was chased by a mob of outraged workers with axes when the supervisor belittled the worker in public. Berating anyone in public in Indonesia is considered offensive.
- In one of the Southeast Asian countries, Pepsodent advertised its toothpaste in by highlighting that it "whitens your teeth." However, to their surprise they found out that the local natives chew betel nuts to blacken their teeth which they find attractive.
- In Thailand animals are treated at a lower level. A company came up with a poor choice of advertisement by featuring a variety of cute animals wearing glasses. The locals did not even notice as they considered it disrespectful to wear glasses that animals also wore.
- Promoting the soft drink Fresca proved to be very embarrassing for a saleswoman in Mexico as fresca is slang for "lesbian".

(ii) Sub Culture

We have seen that culture is dynamic in nature and differs from society to society. Similarly, their exist differences within the same culture and every culture therefore comprises of sub culture.

Sub cultures, are groups that share the values and artifacts of the larger society, but also have distinctive practices, preferences and beliefs of their own. In simpler terms sub culture is

nothing but a cultural segmentation and can be categorized on the basis of ethnicity, religion, region, age, gender, occupation, social class etc.

The exhibit below lists sub-culture categorization with examples.

Exhibit 21.3: Categories of Sub Culture

Categories	Examples
Ethnic	English, Chinese, Arab
Religious	Hindu, Muslim, Christian
Regional	Northern, Southern, Central
Age	Teens, Middle Age, Elderly
Singles	Unmarried
Gender	Male, Female
Occupation	Teachers, Doctors, Engineers
Social Class	Upper, Middle, Lower

Berkman and Gilson have defined subculture for marketing purposes as any cultural patterning that preserves important features of the dominant society but provides values and life styles of its own.[9]

It is important to make note here that people's attitudes, values and response behaviour within subcultures are more similar as they are within the broader culture. The marketers therefore must take the subculture into account while designing and implementing strategies.

For example the working parents and nuclear families have promoted fast food among their kids. Several fast food companies taking notice of it have designed their strategies around the growing kids belonging to this sub culture.

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[9] Berkman H. W. and Gilson C. C., Consumer Behavior - Concepts and Strategies, Dickenson Publishing Company, Inc. 1978

(iii) Social Class

Human beings have long dreamt of an egalitarian society where all members are equal. However, it is clear that an egalitarian society remains a dream. Since the dawn of the civilization human beings are grouped in social classes according to income, wealth, education, or type of occupation. There clearly exists a major difference in the response behaviour of the consumers of different social classes. Each social class has distinct characteristics and approaches to purchase decisions. It is therefore very important for a marketer to understand the social class and its related attributes.

Understanding social class is important for marketers. Social class often assists in understanding medium of advertising. For example the advertisements of chocolates, toys and other products for kids are advertised mostly on the cartoon channels. Also knowing the product choices of a social class assists marketers in effective distribution and placement of the products.

Check Your Progress-A

Q1. Discuss consumer decision-making process in detail.

Q2. Write a note on consumer decision-making and involvement.

Q3. What are the various factors determining level of consumer involvement?

21.5.2 INDIVIDUAL FACTORS INFLUENCING CONSUMER DECISION-MAKING

Every individual is unique. The purchase decision of an individual is influenced to a great extent by personal characteristics possessed by virtue of gender, age and lifecycle stage; and personality, self-concept, and lifestyle. Thorough understandings of these characteristics are a must for any marketer.

(i) Gender

Men and women have different needs owing to the inherent physiological differences. Many cosmetics companies as is evident from the advertisements understand these physiological differences and target them accordingly. For examples consider the famous advertisement of Fair and Handsome, where actor Shahrukh Khan clearly differentiates between the fairness cream for men.

Men and women shop differently as well. Retail stores target women for shopping. They have clear understanding that the male counterparts do not enjoy shopping and therefore they target women. Also menfolk clearly prefer simple shopping experiences, stores with less variety, and convenience. Stores that are easy to shop in, are near home or office, or have knowledgeable personnel appeal more to men than to women. The emergence of e-commerce and internet has also influenced purchasing patterns. Many retailers with online presence design websites to appeal men who find it an easy way to shop for clothing and gifts.

The changes in gender roles are also very important to be understood by the marketers. Several companies are now rapidly changing their age old practices and adapting themselves and their strategies.

(ii) Age & Family Life Cycle Stage

Alike gender the age and family life-cycle stage also influences the consumer's response. The age of a consumer generally indicates the type of products he or she may be interested into. Several researches concluded that age and type of products are directly related.

Yet another concept associated with age is the family life-cycle stage of the consumer. The *family life cycle* represents an orderly series of stages through which consumers' attitudes and behavioural tendencies evolve through maturity, experience, and changing income and status. For instance several marketers define their target markets in terms of family life cycle, such as "singles," "young married with children," and "middle-aged married without children etc." As is evident the needs and response behaviour of a single will be different than that of married with children and middle-aged without children. For example the choice of car of a young single will be completely different than that of middle-aged married with children.

(iii) Personality, Self-Concept & Life Style

Consumer is unique in terms of its personality which is defined as the combination of characteristics or qualities that form an individual's distinctive character. This distinctive character decides how an individual reacts to different situations. It is clear that individual's reaction to a single situation are not the same but different. Consumer's decision-making depends a lot on the personality of an individual especially its dominant characteristics. For example, the type of car, clothes, or jewellery a consumer buys may reflect one or more personality traits.

Another factor that influences consumer response behaviour is the self-concept, a term used to refer to how someone thinks about, evaluates or perceives themselves.

Baumeister (1999) provides the following definition of self-concept, "The individual's belief about himself or herself, including the person's attributes and who and what the self is".[10]

Human behaviour is largely dependant on the self-concept and is also reflected in the consumer's response towards purchase. The consumer will never prefer to jeopardize the self-concept and will buy products which will always protect their identity. Marketers strive to influence consumer's perception of a good or service and affect their decision-making.

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[10] Baumeister, R. F. (Ed.) (1999). *The self in social psychology*. Philadelphia, PA: Psychology Press (Taylor & Francis).

21.5.3 PSYCHOLOGICAL FACTORS INFLUENCING CONSUMER DECISION-MAKING

A psychological factor like perception, motivation, learning and beliefs and attitudes exerts influence on the individual's decision-making. Consumers use psychological factors to recognize their feelings, gather and analyze information, formulate thoughts and opinions, and take action. An understanding of these factors and the influence they cast on response behaviour is therefore a must.

(i) Perception

Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. Perception plays an important role in decision-making. Individuals with similar needs may not always buy a same product.

For example two college-going friends on their way back to home might order different items to eat. Though their motivation or need is the same i.e., hunger their response might differ. One of them might order non-vegetarian while the other a vegetarian item.

It is important for marketing professionals to identify, understand and react to consumer's perception of the product.

(ii) Motivation

We have seen that a consumer's response towards a product purchase is clearly a result of felt deprivation i.e., need. Whenever a product is bought it is bought to fulfil some sort of a need. These needs become motives which are the driving force to take action to fulfil them.

By understanding motivation levels, marketers make an attempt to analyse purchase decisions of the consumers. Maslow's theory of motivation is a landmark in making people understanding their needs and react accordingly. Maslow included different levels of needs in an ascending order starting from physiological, safety, social, esteem, and self-actualization. As a person fulfils one need, a higher level need becomes more important.

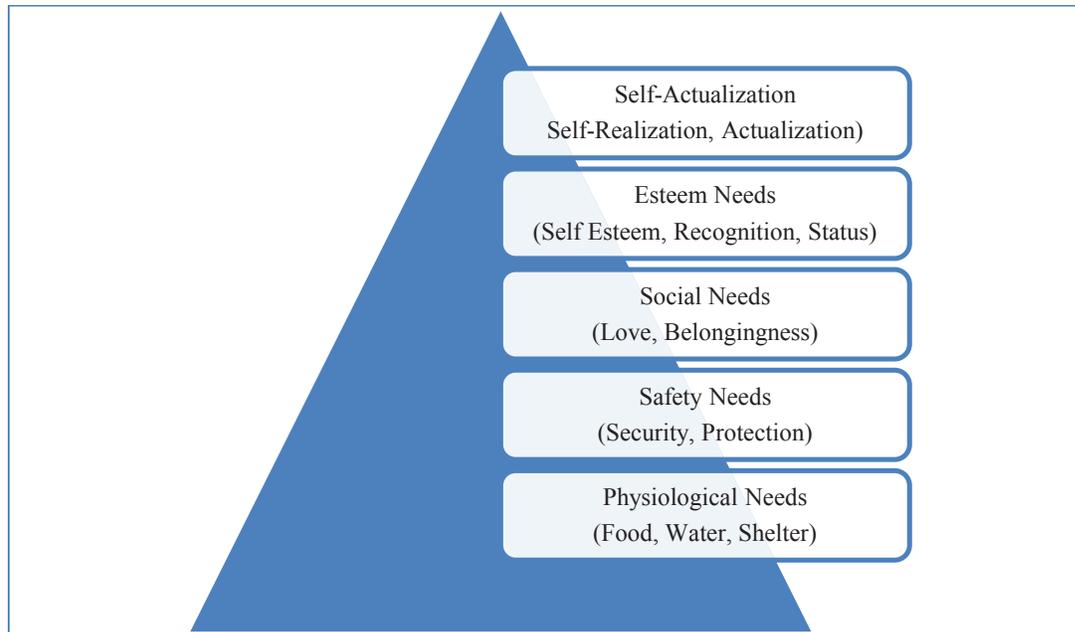The figure below depicts the Maslow's Need Hierarchy.

Figure 21.5 Maslow's Need Hierarchy

Marketers must have an understanding of the way individual consumers are motivated to respond to a product purchase. Such an understanding will assist them in designing marketing plans which are more in-tune with the consumers real need.

Another important psychological factor that influences decision-making at the consumer level is learning. Learning creates changes in behaviour through experience and practice. Different theories of learning assist marketers in designing experiences that reinforce positive behaviour.

Beliefs and attitudes are another set of important factors that influence consumer decision-making. A belief is an organized pattern of knowledge towards a product or a service. A consumer based on his knowledge developed over a period of time by using particular product or service develops a belief about it and life with it.

An **attitude** is a learned tendency to respond consistently toward a given object and assists in forming a favourable and unfavourable feeling of the consumer towards an object. Attitudes are stronger than the belief and therefore play a vital role in decision-making.

21.5.4 SOCIAL FACTORS INFLUENCING CONSUMER DECISION-MAKING

Consumers interact with other individuals in a marketplace. They seek information and opinions about product and services and form their own opinions thereafter. Ideally, consumers interact socially with reference groups, opinion leaders, and family members to obtain product information.

Reference groups can have tremendous influence on the buying decisions. A reference group in a society is a group which is considered as a point of reference while evaluating anything. It is defined as the group whose perspective an individual takes on in forming values, beliefs, attitudes, opinions, and overt behaviors.

Understanding reference groups is important as they provide information and influence consumer's perception, affect an individual's aspiration levels and constraint or stimulate consumer behaviour.

Opinion leaders who actually emerge from the reference groups are also very important in decision-making as they are the ones who influence the members of the group.

Family becomes a very significant social factor influencing decision-making. Socialization process – passing of culture, values, beliefs etc also assists in passing on the purchase decisions. The famous Colgate advertisement where the model says I use Colgate for my kids because my mother used it for me is an example where marketers are trying to influence the consumer socially using family culture.

21.6 SUMMARY

Consumer behaviour is an important aspect that marketers must understand. The consumers are essentially social and interact with others. The interaction takes place in an environment and influences the consumer's buying decisions. The unit attempts to explain the consumer decision-making process and the factors that influence the same.

21.7 GLOSSARY

Consumer Decision-Making: Consumer decision making is a problem-solving process by which consumers identify their needs, collect information, evaluate alternatives and make the purchase decision.

Culture: The culture of a society is the way of life of its members; the collection of ideas and habits which they learn, share and transmit from generation to generation."

Value: A belief that something is good and worthwhile. It defines what is worth having and worth striving for.

Sub Culture: Sub cultures, are groups that share the values and artifacts of the larger society, but also have distinctive practices, preferences and beliefs of their own.

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21.9 SUGGESTED READINGS

1.

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2. Nudge Your Customers Toward Better Choices By Daniel G. Goldstein, Eric J. Johnson, Andreas Herrmann And Mark Heitmann, Published In Harvard Business Review, December 2008

21.10 TERMINAL & MODEL QUESTIONS

Q1. Discuss the consumer decision-making journey.

Q2. Discuss the factors determining level of consumer involvement.

Q3. What are the cultural factors affecting consumer decision-making?

Q4. What are the individual factors affecting consumer decision-making?

Q5. What are the social factors affecting consumer decision-making?

Q6. What are the psychological factors affecting consumer decision-making?

UNIT 22 CRM AND E-CRM

22.1   INTRODUCTION

In the previous units, you have studied the relevance of studying consumer behaviour in marketing of goods and services. We have covered the concept of customer acquisition in marketing and sales management. In the present competitive world it is not only important to acquire a customer, but we need to retain them and earn over their lifetime.

  In this unit, you will study about the concept of customer relationship management, how to acquire and retain customers, the benefits and enablers for CRM, how CRM has evolved over a period of years and opportunities and challenges for e-CRM.

22.2   OBJECTIVES

After reading this unit you will be able to:

- Understand the concepts of CRM

- Explore the reasons for the evolution of CRM

- Learn the benefits of CRM

- Enable managing Customer Relationship

- Appreciate the role and changing face of CRM as an IT enabled function

- Understand the opportunities and challenges for E-CRM

22.3 CONCEPTS OF CUSTOMER RELATIONSHIP MANAGMENT

You have studied in marketing that the market has evolved from being seller driven to consumer dominated. At present, the companies are guided by the rules which customers make. Customers are the 'King/ Queen', the marketers are not only facing the challenges in acquiring them but also to retain them. Thus, in this situation the marketers need to understand following things:

- Customers are the rule makers not the rule takers

- Technology has a major role to play and it has taken the center stage in managing customers

- Use of market research and business intelligence is relevant

- Competition has made 'Customer loyalty' a myth

- Service excellence and special treatment is key to win and retain customers

- Companies need to move from product-centric approach toward customer-centric orientation

Now, we have to determine the methods of understanding, managing and retaining customers. Customer relationship management (CRM) is one such tool that combines core business process and technology provide an understanding of a company's customers in terms of: Who they are? What they do? What do they like? You should understand that, customer-centric organization needs: to bring a change in the organization where the customers are not only the responsibility of the sales or front level executive rather the employees across the levels of organisation focusses on them, to develop a CRM strategy, and to imbibe customer service and relationship in the corporate culture. CRM enables to achieve excellence in customer service. Further, you can appreciate the relevance of CRM given following factors:

- Intense competition: The intensity of competition among players and brands operating in the market has reached to a height like never before. This has made the marketers' task very difficult.

- Globalized economy: The world has become a global village due to growth in internet, communication and transportation technology. Increased globalization results in new challenges both for the domestic and global marketers.

- High cost of customer acquisition: Acquisition cost is increasing with every passing day. Thus, the marketers need to focus on maintaining relationships with their existing customers.

- Increased customer attrition: It has become very difficult to retain customers. As mentioned above customer loyalty is a myth and customer turnover is the problem for marketers.

The companies and marketers have understood that, CRM helps in providing better value proposition to customers. CRM acts a business strategy and philosophy and we have discussed the concept of CRM as a strategy in subsequent unit. Further, the growth of information and communication technology (ICT) and worldwide web has enabled organizations to go for CRM. It helps them to extend themselves across the boundaries. The marketers can now measure the return on investment against the investment made by them in the ICT and CRM platforms.

CRM is used with variety of other applications such as e-commerce, data warehousing, and call centers. CRM enables an organization to gain information about purchase history of consumers, their preferences, and other important information about them.

The other business objectives include:

- CRM provides higher efficiency

- It enables quick resolution of customer queries

- Better understanding of customer needs

- Opportunities for up-selling and cross-selling

- Improvement in service delivery with the help of customer information

- Reduction in sales cost

- Enhanced productivity

- Enhanced and quick customer feedback

- One to one focus on customers

22.3.1 DEFINITION OF CRM

CRM can be defined as a process which brings integration in the marketing, sales and service strategy of an organization. This is possible due to availability of timely and accurate information provided by coordinated enterprise-wide activities and infrastructure.'

> CRM Example: Dominos software for tracking customers' interactions right from the stage of order to dispatch to delivery and receiving by customers.

CRM can also be understood as the collection of different customer-centric strategies adopted and followed by the organizations. These strategies enable other activities across sales, marketing and service functions. CRM also facilitates several back office functions such as accounting, production, and shipping. CRM strategies require reengineered work processes for different stakeholders. CRM implementation is enabled with the help of technology.

> CRM Defined: CRM is a business strategy which pro-actively builds a bias or preference for an organization with its individual employees, channels and customers resulting in increased retention and increased performance.-
>
> Carlson Marketing Group

In nut shell, CRM can be defined as, 'Management of customers' information in detail and carefully enhancing customer satisfaction at all customer "touch points" to maximize customer loyalty.'

As per, Parvatiyar and Sheth (2001), CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and customers.

The different steps included in CRM are:

Targeting: Identifying the customers to be targeted. The marketers first need to find the suitable segmentation strategy, then perform the segmentation on the given population, then they need to assess the profitability of these segments and select the most profitable segment, they then need to determine if the chosen segment will be compatible with the company's value proposition.

Acquisition: At this stage, you need to decide on the most effective channel to reach different segments (as identified in above step), the cost of acquisition for each channel/ segment should be assessed next, you need to understand that whether any particular channel deliver certain types of customers and have to decide upon the cost effectiveness of acquisition channels.

Retention: This step deals with the calculation of average tenure of customer relationship, developing strategies on customer retention improvement, enduring customer relationship for longer period and to decide upon the most economical method of customer retention.

Expansion: This is the last step of CRM it focusses upon- the understanding of current purchase pattern and volume of a company's average customer, and look for the opportunities to up-sell and cross-sell to them to purchase more, identifying the customers who can be targeted for expansion and calculating the cost of this expansion.

22.3.2 CRM: EVOLUTION AND STRATEGIES

Customer relationship management is the need of the hour. The concept of CRM is still vaguely understood by the most of the people. It is marketing to an individual customer, some other understand it as data base marketing for others it is nothing but to have a call center to resolve customer complains, then some think that CRM is all about technology solutions. However, we need to understand that CRM is not something entirely new. It was something which was there and practiced by the merchant and traders long back in the agricultural era when there was no mass production and business was built around trust. With growing industrialization, mass production and distribution there emerged several layers which separated producers from ultimate consumers and eroded the trust and relationship between them. The industrial era is succeeded by information era and it extended to the era of relationship strategies.
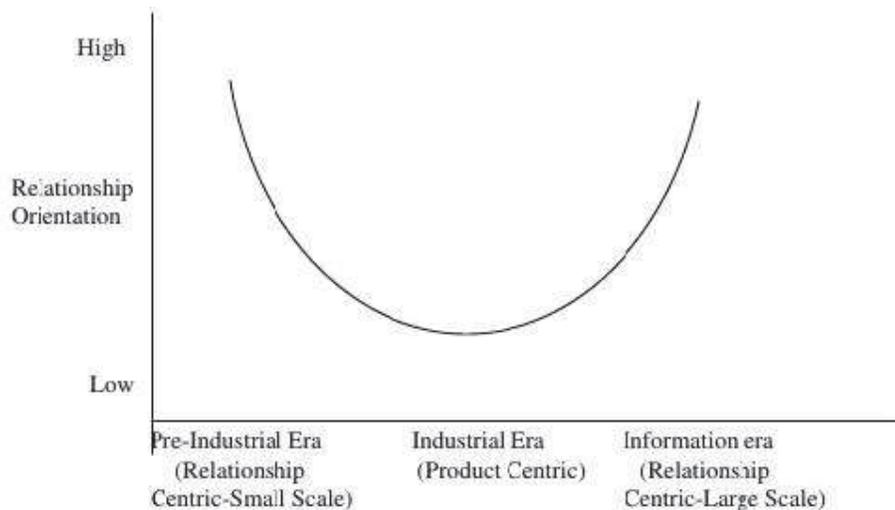

Fig 22.1 Relationship Orientation Evolution

 Source: Sheth and Parvatiyar, 1995

As per Jagdish Sheth and Atul Parvatiyar (1995), the major factors for the evolution of CRM are:

Technological advancements: Companies can get closer to their consumers with the help of information and communication technologies. Irrespective of the diversity in the industry

right from FMCG to consumer durables, the marketers can use technology to understand their customers better and to build strong relationship bonds with them. The marketers can keep a track and have frequent interaction with the customers over their purchase cycle.

Competitive intensity: The markets have become competitive and cluttered. A cost of acquiring a new customer is more than 3 to 5 times than maintaining an existing customer. It is critical for the marketers to focus on the life time value of their customers. Customer life time value (CLV) means the discounted present value of the revenue and profit accrued from a customer over his/ her life time. The marketers are required to opt for relationship orientation than transaction based approach with their customers.

Service economy: You should understand that just like developed countries the service sector is prospering at a very high rate in India. The growth of services and service organizations further emphasize upon the relevance of using CRM in understanding and retaining customers better. This is because in service, the producer and deliverer of service is the same person for example, a consultant develops and delivers a report to the client.

Total quality management (TQM): This is the approach which is used globally by the organization to manage quality. The principle behind TQM is to have zero defects while servicing customers. Zero defect principle is achieved by working closely with their middlemen, suppliers and customers. This has resulted in the information evolution from: Material requirement planning to enterprise resource planning to supply chain management and eventually to CRM.

CRM Strategies: There are different strategies in the process of CRM, they are-

➢ Customer acquisition: This strategy aims at obtaining the largest number of new "profitable" customers as early in their "lifespan" as possible.

➢ Customer retention: In this strategy the aim of our business is to retain and expand business and relationships with our customers through up-selling, cross-selling and servicing our existing customers.

➢ Customer loyalty: This strategy deals with the formation and delivery of customer loyalty program to ensure that customers are happy to buy what we offer and they prefer to buy only from us.

➢ Customer evangelism: In this strategy the loyal customers are motivated to an extent that they act as a volunteer sales force.

➢ Cost Reduction: The goal of this strategy is to reduce costs related to marketing, sales, customer service and support.

➢ Improve Productivity: CRM also helps in enhancing e-business strategies and productivities of a business.

22.4 CRM: DIFFERENT SCHOOLS OF THOUGHT

The customer relationship and relationship marketing is an interesting area of research for the scholars across the countries. Several researchers from different parts of the world have proposed three approaches to CRM:

1. The Anglo-Australia Approach: This approach aims at explaining the concept of relationship marketing in terms of integration of marketing of services, quality management and customer relationship.

2. The Nordic Approach: As per this approach, we can understand relationship marketing as the convergence of services marketing, customer relationship economics with interactive network theory. The meaning of interactive network theory is that is an interactive process in which relationship building is the major focus area for marketers.

3. The North American Approach: This approach which is proposed by the researchers from North America focusses on the relationship between buyer and seller. As per this approach it is the environment of the organization which facilitates buyer-supplier relationship.

22.5 CUSTOMER ACQUISTION

As discussed in the above section, customer acquisition is one of the most important steps of CRM process. Marketers also formulate different acquisition strategies. Customer acquisition means gaining new consumers. New consumer acquisition encompasses consumer persuasion consumers to purchase a company's products and/or services. The cost of customer acquisition is an important metric used by the marketers while evaluating how much additional value new customers will bring to their businesses. Customer acquisition strategies refers to the set of techniques and systems for generating leads, managing customer prospects by a variety of marketing tools. The first step of customer acquisition process is: to identify and generate a database of quality potential customers. This could be done by reaching out to potential customers through call centers and mailing lists. After this, the leads are assessed and qualified by the companies based on their potential and ability to be converted. Once the lead assessment is done and there is the possibility of acquiring this new customer, its status is upgraded to that of prospect and then it is assigned to a salesperson for further action.

The different strategies used for customer acquisition are:

- To use aggressive promotion for product and service leadership

- Use of competitive edge and innovations to redefine the companies

- To offer a superior product backed by an excellent service

- Some of the common sources to generate potential leads for customer acquisition are: advertising on internet, cold phone calls, sales force visits etc.

Check Your Progress-A

Q1. Why is CRM relevant in the present times?

Q2. Explain the evolution of CRM.

Q3. What are the different schools of thought on CRM?

Q4. True or False

   i.   Product-centric approach is relevant in the times of intense competition.

   ii. Selling a credit card to an existing saving account customer is an example of cross selling.

   iii. CRM is redundant for a company facing low customer attrition.

Q5. Fill in the Blanks with appropriate word or words.

   i.   The different steps including in CRM are targeting, acquisition, _____and _____.

   ii. _____ means enabling a loyal customers to become a volunteer sales force.

22.6 CRM: KEY SUCCESS FACTORS

You should know that the customer centric orientation is critical to successful CRM. However there are several other factors which results in CRM success. The key success factors for winning CRM implementation as discussed by several organizations are:

1. Strong partnership across the organization: The CRM is an orientation and strategy which spans across the organization such as partner relationship, supplier relationship, employee relationship and customer relationship. Thus the focus of CRM is to build strong internal partnerships around CRM. The beginning stage of CRM implementation calls for bringing our CRM needs to drawing board, and we also need to consider the CRM needs of other departments. There are chances that the requirement of one area or department are in potential conflict with that of others. It is important to look for the ways to resolve this conflict before proceeding further. CRM success calls for building strong partnership among the different stakeholders and to align the requirements. They need to know how CRM will bring help to them and how the data and information retrieved from them will be used for organization betterment.

2. Accurate sources and system for information collection: One of the corner stone of an effective CRM system is accuracy in terms of information sources. We need to take stakeholders consideration for CRM implementation by making them understand the information needs and the reasons to capture this information. The understanding of the information will help in building the trust between them and CRM system.

3. Customer and employee friendly tools: It is important for the company to integrate CRM tools in to its marketing system in a seamless manner. This will help in effective implementation of CRM in a manner that it becomes an integral part of company's customer service function.

> Example of customer friendly tools: Suppose, a major manufacturer of organic foods is re-designing a pop-up for its toll-free consumer phone line. In the original design, the final pop-up will prompt the tele-executive to ask the caller's name and address. Yet, executives had found that it was easier and felt more natural to ask, "What's your name?" and "Where are you calling from?" and "What's your food requirement?" at the start of the call.

4. Accurate data reporting: You need to understand that not all the data is required to be processed all the time. The understanding of the CRM strategy will help us to understand that

which data is required to be processed to solve a specific problem. Once the data to be process is determined, next thing is to share this data with the team.

5. Use of appropriate technology: We should know that it is not always advisable to use hi-tech technology to implement CRM system and nor it will be basic technology which can work in all the situations.

22.7 CUSTOMER PROFITABILITY

As discussed in the above section, retention of existing customers bring in regular and enormous profit over the life time value of its customers. To retain the customers companies need to focused on service adaptability, delivering products and services based on customer needs and wants, the value offered should be such which initiates a proactive relationship with the customer and offers a value proposition in terms of greater convenience at low cost such as, "Best Buy" which is known as a popular electronic retailer, operates over 300 stores and earns its profits based on committed relationships with customers. It is famous for making 3000 calls a day with more than 50% having computer-based answers and solutions.

You need to understand that higher the customer retention more will be the profitability for the company. The several benefits of cumulative life time value of existing customers for a company are depicted and discussed below:
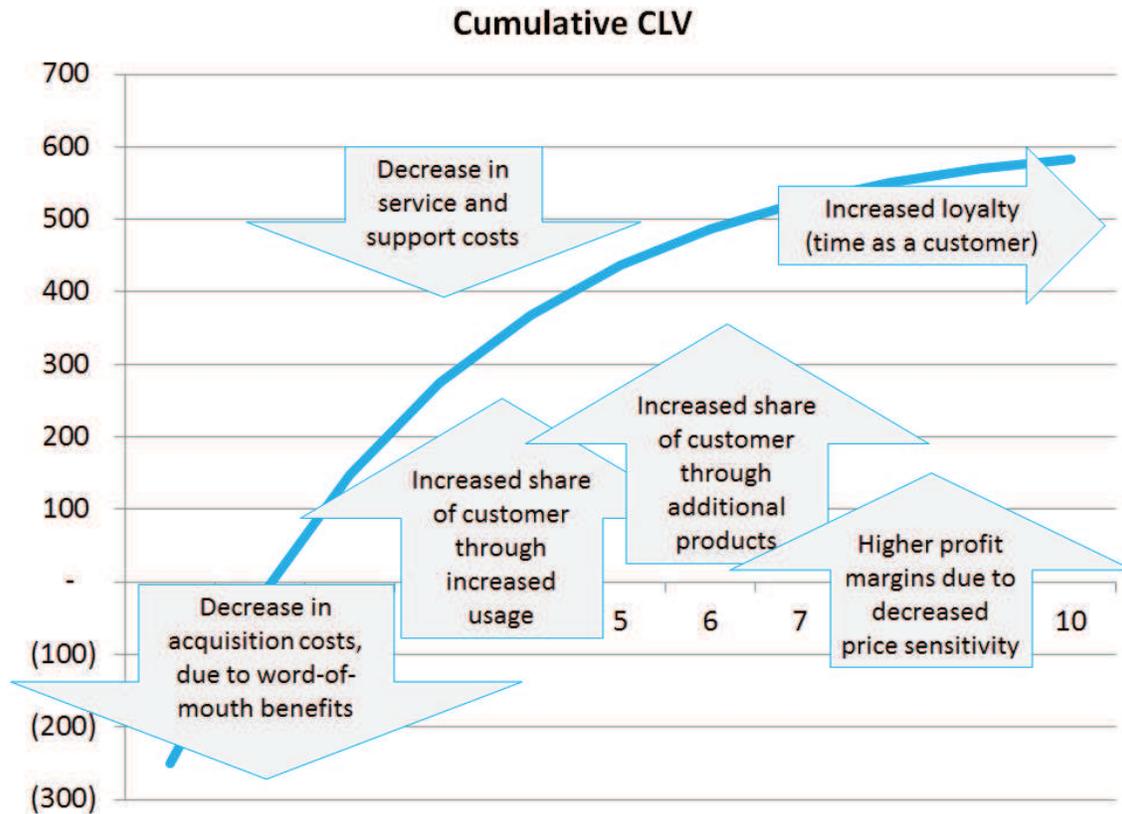
Cumulative CLV

Fig22.2Cumulative CLV

Source: http://www.clv-calculator.com/clv/benefits-customer-lifetime-value/

As shown in the diagram, the marketers will enjoy increased customer revenues over the life of a customer for the following reasons:

Increased revenue: The share of customers will increase over the life time resulting in increased revenue. The reasons for the growth of share is due to- increased product usage, purchasing of additional products, or purchasing of higher value products by the existing customers. Further, it provides opportunity for cross selling and up selling.

Decreased costs of servicing: Higher customer retention will reduce the costs of servicing customer significantly over the period. This happens as customers get more educated and familiar with the product/service and are they may not need any extra support and servicing.

Reduces customer acquisition costs: Higher the customer retention more will be the positive word of mouth and thus reduced cost of acquisition. Researches have proven that the customers who stay longer with a company have the chances to become advocates and they themselves promote the brand to other consumers.

Decreased price sensitivity: With the passage of time, a satisfied customer will be less sensitive towards changes in prices such as increase in price. This in turn results in better contribution margins coming from these customers.

Lastly, increased retention/loyalty builds a long term revenue stream for the company.

Other benefits of using CRM are:

- Researches have proved that the cost of acquiring a new customer is 3 to 6 times more than selling to an existing customer
- Just like a satisfied customer becomes an advocate over a period of time, similarly a dissatisfied customer will also spread bad word of mouth by telling at least to 8 to 10 people about a poor customer service experience
- A marketer has a very high probability, may be more than 50% of being able to sell a product to an existing customer while the probability to sell it to a new customer is often less than 20 %
- Complaints resolved will bring the customers back. It is researched that, 70% of the customers who complained about the services will come back to the company if their complaints are addressed promptly
- As high as 90% of existing companies do not rely upon integrated CRM tools and platforms

22.8 CRM APPLICATIONS

The customers are required to visit several departments such as sales, marketing, customer service etc. to get their problem resolved and this often results in their dissatisfaction. CRM application provides a unified platform for customers to communicate and interact. As discussed above that CRM results in higher CLV and it also lead to improved customer responsiveness and satisfaction. CRM applications offers the framework for customer service execution. The role of enterprise resource program (ERP) is to provide the support in terms of sources of information and operational applications which enables an organization to attain its customer relationship targets. The role of CRM can also be understood as a tool which develops collaboration between an organization, its suppliers, middlemen, customers with the help of web-based technology. The traditional channels of personal selling and telephonic sales are strengthened with the use of web enabled communication framework. Thus, online CRM helps the customers to order products and services online and access web-based services and support. This also helps the company to customize its services for individual customers.

An organization can achieve sales force automation by using CRM applications. CRM applications also helps them to integrate their marketing, sales and customer service functions.

Marketing Applications – A large number of CRM applications are available in the market to complement sales and customer service functions of an organization. These applications helps the marketers to better serve their customers. Some of the common areas where these applications are used:

- Analysis and execution of data which helps in the planning of marketing campaign both offline and online

- Development of marketing collaterals and material

- Identification, development and management of list of prospective clients

- Generating, tracking, distributing and managing leads

- Budgeting and forecasting

- Provides a repository for information regarding elements of marketing mix i.e. product, price, place and promotion and for the competitive information

We should understand that the major goal of marketing applications of CRM is to provide a detailed framework for planning, executing and evaluating marketing campaigns and strategies to a marketer. We can understand it with the help of this example, a good CRM tool helps in generating and qualifying the sales leads which are then distributed to the sales people for further actions. Thus we can say that marketing and sales automation are complementary in nature.

Sales Applications – These applications are used to automate the several functions performed by the sales force. The most prevalent applications include:

- Developing schedule and calendar of sales activities

- Identification and management of contacts list

- Developing compensation plans for the sales team

- Management of lead and pipeline

- Forecasting of sales

- Developing proposals

- Pricing

- Managing territories and their allocation

- Reporting of expenses

Customer Service Applications- Customer service means offering labour and other resources to increase the value that buyers receive from their purchases and from the processes leading up to the purchase. The emergence of service sector in the global economy has made customer service very important. The impact of customer services can be seen across the individuals, households, firms, and societies. We can categorize the customers in terms of their profit potential with the help of CRM. The CRM applications not only help in assessing the profit opportunities across the customer groups but also enable the marketers to cater them distinctly in terms of their profitability.

22.9 E-CRM: OPPORTUNITIES AND CHALLENGES

The consolidation of traditional CRM with the e-business applications marketplace has resulted in the emergence of electronic customer relationship management (e-CRM). e-CRM has created a spell of activity among companies. e-CRM offers both opportunities and challenges for the organizations which has adopted and implemented it. In this section of the unit, you will study the marketing opportunities such as enhanced customer interactions and relationships, personalisation options. The e-CRM implementation is a potential source of competitive advantage. You will also cover the challenges which companies come across while implementing e-CRM, they are managing an on-line channel, data integration issues and information technology (IT) architecture challenges.

In simple terms you can understand e-CRM as the broad range of technologies used by an organization to support its CRM strategy. As discussed above e-CRM has emerged from the consolidation of of traditional CRM with the e-business applications.

As per Bradway and Purchia (2000), 'e-CRM is the intersection between two important industry initiatives, the booming Internet market and the shifting focus to customer-centric strategies.'

Another way of understanding e-CRM is, it is a web-enabled or web-based CRM. According to Forrester Research (2001) 'e-CRM is a web centric approach to synchronising customer relationships across communication channels, business functions and audiences'. Lee-Kelley et al. (2003, p. 241) has provided with a working definition of e-CRM, 'It refers to the marketing activities, tools and techniques delivered via the Internet which includes email, world wide web, chat rooms, e-forums, etc., with a specific aim to locate, build and improve long term customer relationships to enhance their individual potential'.

Electronic and interactive media like Internet, email web based platforms play the most critical role in operationalizing CRM in providing support for effective customised information between the firm and customers. e-CRM also includes other e-technologies and new e-channels such as mobile interface, customer call and contact centres and voice response systems.

According to Anon (2002), 'The use of these technologies and channels means that companies are managing customer interactions with either no human contact at all, or involving reduced levels of human intermediation on the supplier side.'

Further, Wright et al. (2002), has opined that 'the emergence of mobile commerce has led to the introduction of new products, new ways of selling products to customers and new learning curves for companies in terms of how to manage interactions with customers.'

Rilvari (2005), has suggested that 'financial organisations across Europe are now beginning to take advantage of mobile marketing services and in particular mobile banking, based on wireless application protocol (WAP) technology, as a powerful new marketing tool to build long lasting and mutually rewarding relationships with new and existing customers.' Most major banks are using mobile CRM in some form as a new channel for customer acquisition, as SMS text messaging is still in a growth mode in new market segments, and also to project a new image for the company. Mobile operators such as Vodafone and health care providers such as VHI have also used SMS text messaging to enhance customer relationships.

As per Sinisalo et al. (2005), 'e-CRM using mobile marketing may indeed offer an effective way to reach, and build relationships with, demanding customers in rapidly changing markets.'

Voice response systems is another significant e-technology which offers opportunities to the firms for managing customer interactions.

With the emergence of the on-line world and e-technologies, Parekh, (2003) has mentioned that,' e-CRM has become an integral part of everyday business and as it appeals to the wide array of consumers, thus businesses are constantly searching for innovative yet cost-effective ways to reach remote customers, moving e-CRM from a 'nice to have' methodology to a 'must have' methodology.'

In the words of, Scullin et al. (2004), 'e-CRM is not here to change marketing but to enhance it by presenting opportunities to companies to improve their effectiveness and to deliver customer value.'

e-CRM helps in reducing the costs involved in communicating to customers, it optimise work flows as a result of integration with other enterprise systems, facilitate better market segmentation and enable enhanced customer interactions, relationship and personalisation opportunities (Adebanjo, 2003).

Fjermestad and Romano (2003), opined that the goal of e-CRM systems is to improve customer service, retain valuable customers and to aid in providing analytical capabilities within an organisation.

Further, e-CRM is a dynamic approach which enables relationship management with multiple stakeholders such as customers, employees, channel partners and suppliers. The different opportunities offered by e-CRM are enhanced customer interactions and relationships, managing customer touch points, personalisation options and leveraging e-CRM capabilities as a potential source of competitive advantage.

e-CRM empowers a customer to interact deciding on the type and duration of contact permissible. However, e-CRM offers limited ability to create intimacy with the customer and building trust is even more difficult. Fairhurst (2001), has highlighted in his research that, 'when managing an on-line channel companies are faced with the fact that greater choice creates fickleness among customers and with the competition only one click away there are no second chances to recover mistakes in these remote channels.'

Another challenge faced by the companies using e-CRM is Data integration and IT architecture challenges.

Check Your Progress- B

Q1. What are the advantages of high customer retention for a company?

Q2. List and discuss key success factors for CRM.

Q3. What are the opportunities and challenges facing the companies using e-CRM?

Q4. Fill in the blanks

i.   The _____ not only help in assessing the profit opportunities across the customer groups but also enable the marketers to cater them distinctly in terms of their profitability.

ii.   Increased _____ builds a long term revenue stream for the company.

iii. The share of customers will increase over the life time resulting in increased _____.

iv. The CRM tools need seamless integration in the _____ system so that they become an integral part of customer service function.

22.10 SUMMARY

This unit has covered the concept and definition of CRM. The unit takes us across the evolution of relationship management with the industrialization and mass production. You have studied the business objectives of using CRM. The reasons for the growth of CRM are: technological advancements, competitive intensity, service economy and total quality management (TQM). We have also covered different CRM strategies such as: customer acquisition, retention, expansion, customer evangelism etc. After this the various factors which are critical in the successful implementation of CRM are discussed. These factors are: strong partnership across the organization, accurate sources and system for information collection, customer and employee friendly tools, accurate data reporting and use of appropriate technology. We then studied the concept of customer life time value and the different benefits available due to high customer retention such as reduced costs and increased revenue. We have studied CRM applications in the area of sales, marketing and customer service. Finally, we have understood that e-CRM is the application of technologies in managing marketing with customer-centric approach. The different opportunities and challenges for the companies using e-CRM is also covered in this unit.

22.11 GLOSSARY

CRM- It is a philosophy or a strategy of an organization to collect and manage all relevant information about individual customers in order to retain them and to maximize their loyalty.

Customer life time value- This means the net present value of the future cash flows of an existing customer over the life span.

Customer acquisition-Acquiring largest number of new "profitable" customers as early in their "lifespan" as possible.

Customer retention- Retention and expansion of business and relationships with our customers through up-selling, cross-selling and servicing our existing customers.

Marketing Applications- A large number of CRM applications are available in the market to complement sales and customer service functions of an organization. These applications helps the marketers to better serve their customers.

Sales Applications- These applications are used to automate the several functions performed by the sales force.

Customer Service Applications- Customer service means offering labour and other resources to increase the value that buyers receive from their purchases and from the processes leading up to the purchase.

e-CRM- e-CRM is the broad range of technologies used by an organization to support its RM strategy. As discussed above e-CRM has emerged from the consolidation of traditional CRM with the e-business applications.

22.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. True or False

  i.   **False**

  ii.   **True**

  iii. **False**

Q5. Fill in the Blanks with appropriate word or words.

  i.   The different steps including in CRM are targeting, acquisition, <u>retention</u> and <u>expansion</u>.

  ii.   <u>Customer Evangelism</u> means enabling a loyal customers to become a volunteer sales force.

Check Your Progress –B

Q4. **Fill in the blanks**

  i.   The <u>CRM applications</u> not only help in assessing the profit opportunities across the customer groups but also enable the marketers to cater them distinctly in terms of their profitability.

ii.   Increased <u>retention/loyalty</u> builds a long term revenue stream for the company.

iii. The share of customers will increase over the life time resulting in increased <u>revenue</u>.

iv.   The CRM tools need seamless integration in the <u>marketing</u> system so that they become an integral part of customer service function.

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22.15   TERMINAL QUESTIONS

Q1. State the significance of CRM.

Q2. How do you plan for CRM success?

Q3. How will customer retention help the organisation to be more profitable?

Q4. What are the important aspects of CRM that will help managers in running the organisation more efficiently?

Q5. Differentiate between CRM and e-CRM.

Q6. Write short notes on:

a.   CRM strategies

b.   CRM applications

c.   Customer acquisition

UNIT 23 DEVELOPING CRM STRATEGY

23.1 Introduction

23.2 Objectives

23.3 CRM Strategy

23.4 CRM Strategy Development

23.5 Developing a Relationship Orientation

23.6 Customer-Centric Marketing and Processes

23.7 CRM Strategy Implementation Issues

23.8 Summary

23.9 Glossary

23.10 Answer to Check Your Progress

23.11 Reference/ Bibliography

23.12 Suggested Readings

23.13 Terminal & Model Questions

23.14 Caselet

23.1 INTRODUCTION

In the previous units, you have studied the meaning of CRM i.e. customer relationship management, how to acquire and retain customers, the benefits and enablers for CRM, how CRM has evolved over a period of years and opportunities and challenges for e-CRM.

In this unit, you will study about CRM strategy, its meaning and definition. The detailed process of implementing CRM strategy, the different sections of CRM strategy development. You will come across the pyramid profile of classifying the customers in different levels. This unit focusses upon the relationship orientation and customer-centric approach. You will also study the customer value relationship matrix. The various implementation issues in the way of CRM strategy are also covered in this unit.

23.2 OBJECTIVES

This unit will help you to:

- Understand how to formulate CRM strategy.

- Determine the plan for CRM implementation.

- Learn the phases of CRM strategy development.

- Develop an orientation towards relationship.

- Appreciate the role of being customer-centric.

- Understand the implementation issues in CRM strategy.

23.3 CRM STRATEGY

CRM strategy of an organization reveals its intention towards the customer base, the customer acquisition, maintenance and retention. CRM strategy enables an organization to broaden and deepen its customer base by providing improved value to customers on one hand and by improving the financial performance of the company at other hand.

CRM strategy development is a long-term investment for any company. It offers multiple benefits against the time, efforts and money invested in it over the time. You should understand that, creating a strategy allows a company to establish a direction for the CRM initiatives. It also ensures that the CRM investments are focused to build stronger relations between the company and its customers.

CRM strategy development starts with the understanding of customer profile which are served by the company. The identification of customer profile includes the understanding of customer needs, finding out what is their level of satisfaction, and determining their preferences and the factors impacting their purchase decisions. The CRM strategy development helps the company in determining the group of customers from the overall customer base on whom the company should focus its efforts for better returns. Not only CRM helps the company in classifying the customers in terms of their profitability but it also defines the goals of its business' customer engagement with both current and potential customers to maximize sales, profit and long-term growth. The CRM strategy development requires the assessment of the company's capabilities, determining if its technology, human resources and skills are compatible with its goals or not.

23.3.1 DEFINITION

CRM strategy acts as the action plan based on which the firms move ahead in the process of developing an ideal customer base. The CRM strategy of a company is coupled with its marketing strategy. Thus, it is imperative for the marketers to revisit its overall marketing strategy before formulating its CRM strategy. The understanding of marketing strategy provides answers to following questions: What products or services to be sold by the company? Who are its customers? At what price to sell? And what channels of distribution to be used?

The CRM strategy is an extension to marketing strategy, it helps the company in building of customer loyalty once it has its target customer. The CRM strategy as discussed in the section above helps the companies to engage its customers by delivering better customer service, and engaging customers to have believe in its offerings and brands. Better customer service results in better customer retention, it induces customers to buy more, to create positive referrals for the company and these customers are also willing to pay a premium price.

> "CRM is a business strategy whose outcomes optimize profitability, revenue and customer satisfaction by implementing customer-centric processes" (Gartner)

A successful CRM strategy offers following benefits:

- Knowing your customers and their needs in a better manner

- Reduce customer attrition and lower selling costs

- More referrals

- Opportunity to cross-sell and up-sell, resulting in increased revenues

- Improved and consistent customer experience every time

23.3.2 ROADMAP FOR CRM IMPLEMENTATION

The overall CRM implementation roadmap has three phases: Planning, Construction and Deployment. These three phases are further divided in to six stages:

- Business planning

- Design and architecture

– Selecting technology

– Development

– Delivery and

– Measurement

The stages of CRM implementation roadmap are:

Business Planning: It is the most critical step of the implementation process. The major focus at this stage is to define CRM's overall objectives. The manager needs to specify the objectives at two levels: at the level of individual department and for the enterprise as a whole. At the level of overall enterprise, CRM business planning consists of: documenting the corporate CRM strategy and defining the programs within it. Whereas, at the department level, the boundaries of a new CRM application are established.

Design and Architecture: CRM architecture and design is crucial for its implementation strategy as it only helps the companies and project leaders in selecting appropriate technology. At this stage, you will identify the business activities and process supported by the CRM product. The identification and listing of the particular functions which are required to be implemented takes place. This also helps us to understand the impact of CRM on the organization and several technologies.

Selecting Technology: The enterprise has a range of CRM technologies to choose from. It can either go for a simple off-the-shelf kind of product or can choose after evaluating various CRM system integrators in detail. A firm needs to have an in-depth understanding of design and architecture of the CRM, how it will impact existing systems, what does it require for new functionality in order to align a new CRM system with its existing IT environment.

Development: The development step involves the construction and customization of the CRM product by using specific product features. CRM development is not just programmers being in the centre stage and writing code rather it involves the integration of business processes with the chosen CRM product.

Delivery: The delivery step means communicating the resulting CRM software to the different users in the business, it also requires enabling the companies' IT infrastructure to suit the CRM software. For example if the company is going to introduce a new web-based sales-force automation tool, they need to announce it to the concerned users either with the help of an e-mail message or face to face communication. The link to the new CRM Web site

should also be shared. In case of client-server based CRM system, it will be required to get installed on individual workstations.

Measurement: The CRM implementation roadmap comes full-circle with this step. At last, you need to evaluate CRM usage and understand the opportunities for further refinement of the CRM system. However, not all companies conduct CRM measurement as these companies are confident that they won't have to answer for their CRM expenditures against the results achieved.

Successful CRM strategy implementation needs to consider: People, Processes and Technology.

People: It includes management of customers and employees.

Processes: Various processes of an organization are- lead management, sales pipeline management, accounts management, service desk and marketing.

Technology: This includes- CRM system implementation, content management system (CMS), and e-commerce platform, marketing automation software, learning management system, ERP and accounting software.

23.4 CRM STRATEGY DEVELOPMENT

A successful development of CRM strategy comprises of following three sections:

Destination setting: A successful development of CRM strategy will call for identification of the organization's vision and determining consequential goals out of this vision. This vision acts as the destination point for any effective CRM strategy. The leadership of the company will be define and decide upon the vision of the company

Auditing the present situation: The starting point of CRM strategy development for any organization is assessment of- skills, resources, competitors, and partners and ultimately its customers.

Mapping the journey forward: The CRM strategy development is not a one-time process. The development journey may take several months or years. The development map will change along the route and thus it is important to plan in the beginning.

We need to develop different strategic options of CRM which are capable of achieving CRM objectives established for different targeted segments. And then an ideal CRM strategy is

formulated by selecting the best suitable strategic option from the options developed earlier. We should also determine the parameters on which the performance of the CRM strategy will be measured. The same can be seen in the diagram below:
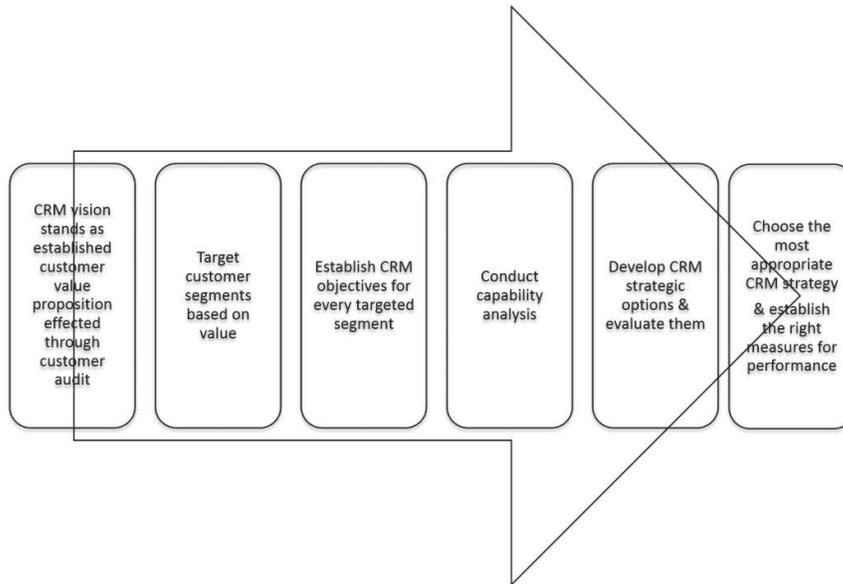

Fig 23.1 Parameters on which the performance of the CRM strategy will be measured

Auditing the present situation: You need to conduct different types of audit before moving ahead with developing the CRM strategy. These audits include:

Re-evaluation of CRM failures in past: It is proved in the research that ignorance of the past CRM failures and the factors causing these failures results in numerous problems for the companies ignoring them. It is advisable that the companies should recognize these failures and investigate the reasons behind them. Thus, the effective CRM strategy development begins with the identification of self and others mistakes in past, rectification of these mistakes. The common mistakes possible are:

- Lack of understanding and involvement at the level of top management.
- Limited or no adjustment to existing structures of compensation. There exist no rewards and incentives structure to focus on customer objectives.
- Lack of customer focus from the end of employees and staff.
- Customer's perspective is completely missed while designing the strategy.
- Too much emphasis is put on software procurement then on the architecture and integration with the company's system.
- Mutually reinforcing processes which are specifically designed for the purpose of strategy are not present.

- Poor analysis and decision making due to lack of customer data.

- Lack of communication and coordination among the projects, divisions and departments.

- The CRM team focuses too much on IT or back-office functions and with short-term project time scales, while ongoing business operations do not get involved.

- Measures to monitor the performance of this system are not available.

It has been observed that often, past CRM projects and initiatives failed to meet expectations, but still delivered a positive return on investment. Outright failures are rare; occurring less than 15 percent of the time. Before rejuvenating a CRM initiative, companies should spend time measuring what has gone before, wherever possible. It is also important to spend time interviewing past participants on what they thought went wrong. In many cases, the assumptions, business case and goals of past projects remain valid, even if the execution was not as successful as hoped.

Broaden the Inputs in to CRM Strategy: While developing the CRM strategy, several companies do not use adequate external sources of information when defining the situation in hand. The current and potential customers are not consulted. You should understand that the sources of relevant information should be broad enough to include competitors, partners, suppliers and market research to determine the latest market trends.

After tapping external sources, internal sources of information should also be considered. Employees are a good source of anecdotal and statistical information.

CRM strategy is not only about customer and consumer needs, it also about the internal capabilities to deliver to meet those needs. Customer information must be weighted highest. However, to set new standards of service, it is sometimes critical to override customer perceptions, as they are bound by past experiences. Therefore, customer feedback cannot be used as the only input.

Beware generic discussions about the relationship between customer and supplier, and focus on the highest pain points. The more specific the problems, and the better the examples given by customers and frontline staff, the more immediate the understanding of those approving businesses cases.

Customer Relationships Strength: In this audit we assess the strength of relationship between company and customers. Gartner (2004), has proposed a matrix known as customer value relationship matrix which provides an integrated view of customer values segments in terms of their present and future profit potential. The future profit potential is measured in terms of customer life time value. The different customer segments are transactional, some potential, large share of wallet and key customers. The strength of customer relationship is measured in

terms of their level of satisfaction and loyalty and this strength is treated as another dimension in this matrix. The strength of relationship is measured in terms of fragile relationship, vulnerable relationship, secure relationship and highly secure relationship. The matrix given below provides the objectives and strategies to be pursued for best results in each segment.

Source: Gartner Research (December 2004)

Fig 23.2 Customer Value Relationship Matrix

The companies measure the present and future flow of profitability while determining the relationship value with the customers. Allocation of fixed costs among the customers in difficult for the companies despite of their understanding about the relationship value. It is also very important for them to study the relationship strength from the perspective of the customers and thus companies conduct primary research to gather this information.

Auditing what does customers value: It is relevant to find answers for following questions- what customers' value most from the current relationship? What makes customers satisfied?

What makes the customers feel happy and helps in building customer loyalty? It is important for the companies to deliver customer satisfaction even if this satisfaction doesn't result in any customer loyalty for them. However, an understanding of customer loyalty is important for the companies. The companies conduct research to identify the factors resulting in loyalty. These factors range across rational factors, emotional factors such as brand preference, service quality, and communication style can care for customers. If the customer has derived satisfaction out of the subjective factors, then the customer loyalty and commitment is driven by the emotive reasons. You can relate this to Maslow's hierarchy of needs: once the organization satisfies the basic needs for the customer, it is able to move on to higher-order needs.

A market research can be conducted to determine the relationship guide which will promote customer satisfaction and loyalty. This relationship guide act as a rule book which enlists the range of factors both rational and emotional relevant to attain loyalty. The research will also reveal that how these factors influence the behaviour of a customer towards a particular organization's products and services.

CRM Capability Assessment: The research in 2008 has revealed that less than 10 percent of large companies will have tested their CRM capabilities against the competition. Many organizations will perform a basic analysis of their internal capability to achieve the goals of the CRM vision. While, some of them will effectively analyse all the areas of change that may be required. And it is only a few of the companies will measure themselves against the competition.

An internal assessment of CRM capability allows a company to understand where most problems will arise, before they arise. By comparing internal capabilities with those required to support the CRM strategy, an organization can prioritize which areas to focus on first. If peers, competitors and comparable organizations in other markets are also evaluated, then a more substantial gap analysis can take place.

Further, CRM strategy development does not take place in isolation. It is important to select a CRM strategy which is relevant and can be aligned to the corporate strategy and business model. The logic behind value generation is defined in terms of the business model. It the business model which integrates the strategy and process of a business together. The position and codification of business objectives is done in terms of its strategy while the processes of the business are used for strategy implementation purpose.
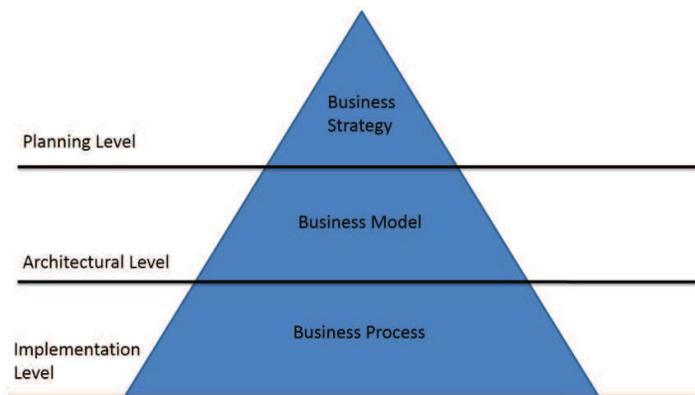

Fig 23.3 Business Logic Triangle

23.5 DEVELOPING A RELATIONSHIP ORIENTATION

You should understand that it is not just about developing an effective CRM strategy which will bring profitability and customer satisfaction rather you should develop a relationship orientation towards your customers. The researches have shown that the customers prefer to deal with the company which maintains relationship between. Thus customer relationship helps companies to differentiate themselves from others. You can understand the relevance of relationship orientation better with the help of following examples:

Personal Touch by Nestle: In 1988, Nestle was only holding 20% of the market in baby food industry in France. Nestle created programs to develop personal touch with the young France mothers by sending them mailers on childcare information. Apart from this, Nestle created a customer engagement program by employing dieticians to propose nutrition schedule for the kids. This relationship campaign helped Nestle to increase its market share by 40% by the year 1992.

Cementing Bonds by Birla Super Shoppes: In one of such initiatives, Birla cement developed a program to connect with its important customers such as architects, building contractors, masons and civil engineers. In this program, Birla offered free consultancy to its customer base. In this initiative they appointed a civil engineer and a taskforce to assist him for each of their super shoppe. They also provided travel assistance for the civil engineers to visit customer's site for product demonstration. This activity helped the company to develop strong relationship.

ANZ's Banking on Relationships: This bank conducted a research to identify the gap between what customers expect from a bank and how they perceive customer service. They discovered that customers expect advisory services and information on investment banking. The bank developed a program known as Captain Grindlays Club to cater to their high net worth clients constituting the premium customer segment. The idea of this relationship was to treat each customer on a more one on one basis beyond the routine functional activities.

Among the different models to view the relationship level of customers is the Pyramid Model. In pyramid model the customers are viewed in the form of three tiers of a pyramid. Most of the businesses make use of this model. We can understand this model with the help of a retail store example such as Max Fashion. This store is visited by a large number of customers each day physically and online as well. These customers form the base level of this pyramid. The next level of customers who prefer to shop at Max fashion over its competitors form the level 2 of this pyramid. And the top level i.e. level 3 consists of those customers who spread advocacy and word of mouth for this store among their networks of friends,

family and colleagues. These are the customers who narrate stories about positive experiences. They are known as consumer advocates.

Check Your Progress-A

Q1. Define CRM strategy.

Q2. Explain the roadmap for CRM implementation.

Q3. True or False

i.   The Pyramid model of customer relationship divides customers in to four levels.

ii.   It is critical to review the past CRM failures before initiating strategy development.

iii.   A good understanding of CRM integration and impact on existing system will help in its alignment.

Q4. Fill in the Blanks with appropriate word or words.

i.   _____ is not only about customer and consumer needs, it also about the internal capabilities to deliver to meet those needs.

ii.   At _____ stage, we identify the business processes which the CRM product will support.

23.6 CUSTOMER-CENTRIC MARKETING AND PROCESSES

Customer-centric approach helps an organization in the effective development and implementation of the CRM strategy. As discussed in the sections above the major building

block of CRM is relationship and to cultivate and maintain relationship it is important that the companies need to shift their focus from products and geographies towards customers.

> "Customer-centricity involves aligning organizational resources for effectively responding to the ever-changing needs of customers, while building mutually profitable relationships."   - Craig Bailey & Kurt Jensen

In India, a company comes across a variety of regional differences due the change in the culture of place to place, different languages being spoken in different regions, government policies vary at different places and a change in payment systems. The need for the companies is to formulate strategies which are not centred on product or geography sales and marketing. The centre point of these strategies should be the customer and strategies should be built around them. The power of internet has provided seamless connectivity to the customers to compare the products and their prices across the regions and countries. The companies can charge a premium and hold on their customers by offering more value in terms of better customer services and differentiated offerings. The companies need to develop ways to treat their customers individually and personally. The companies need to work upon the customer interaction cycle, which begins with customer acquisition and moves to after sales service. The major point of competition among the companies is the customer loyalty and retention enjoyed by them.

The table given below exhibits difference between product-focussed and customer-centric approach with respect to orientation towards customers, solution mind-set, advice orientation, customer interface, business process and organization linkages and metrics.

From Product focused to Customer Centric

Features	Product-Focused	Customer-Focused
Customer Orientation	• Discrete transaction at a point in time • Event-oriented marketing • Narrow focus	• Customer lifecycle orientation • Work with customer to solve both immediate and long term issues • Build customer understanding art each interaction
Solution Mindset	• Narrow distribution of customer value proposition • Off-the-shelf products • Top-down design	• Broad definition of customer value proposition • Bundles that's combines products, services and knowledge • Bottom-up, designed on the front lines
Advice Orientation	• Perceived as outsider selling in • Push product • Transactional relationship • Individual to individual	• Working as an insider • Solution focus • Advisory relationship • Team-based selling
Customer Interface	• Centrally drive • Limited decision-making power in field • Incentives based on product economics and individual performance	• Innovation and authority at the front line with customer • Incentives based on customer economics and team performance
Business Processes	• "One size fits all" approach • Customisation add complexity	• Tailored business streams • Balance between customisation and complexity
Organisation Linkages and Metrics	• Rigid organisational boundaries • Organisation solos control resources • Limited trues across organisational boundaries	• Cross-organisational team • Join credit • High degree of organisational trust

Source: Booz Allen Hamilton

Exhibit 23.1 From Product focussed to Customer Centric

There exists different points of view about CRM among the companies. One of the view which is narrow in its focus consider customer relationship management as the management of database alone and it emphasizes on the use of this database for marketing. Some other view customer relationship management just as a tool to retain customers. Thus, they think CRM consists of variety of marketing tactics used by them to engage and retain customers after sales. Another, more recent approach with respect to customer relationship management with the growth of information technology is to focus on the one on one relationship with the customers. This view integrates knowledge of database with the customer retention and growth strategy.

A broader perspective on customer relationship management says that the marketer needs to focus on the interaction value of marketing activities and their impact on customer relationships. Gronroos suggested that, 'Marketing is to establish, maintain and enhance relationship with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises'. The main implication of the definition given by Gronroos is to use CRM for building and enhancing relationship with the customers.

In the words of Morgan and Hunt, 'relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relationships.'

23.7 CRM STRATEGY IMPLEMENTATION ISSUES

Not all CRM strategies achieve successful implementation. There are several hurdles in the way of implementation. We should understand and identify the possible points of failure and related issues much before we implement the CRM strategy. The major issues in the implementation of CRM strategy are:

Inadequate definition of CRM strategy: You will realize it is not simple to define what CRM means to your company without gathering agreement on a corporate-wide strategy. Companies usually misinterpret business requirements and consequently underestimate the complexity of CRM. The best way to overcome this issue is to achieve consensus on what CRM means to the business and what it should deliver, no matter how long it takes. It'll ultimately result in saving your time and money at the end.

Improper management of staff expectations: A large number of companies apply rigor to planning and development but forget to adopt the CRM system to the business. Take an example where the CRM rollout is made just by an email send by an IT liaison to sales staff announcing training for the new Salesforce automation package, this is bound to fail much before its delivery. Business users must be stakeholders from the inception of the CRM project, from planning through development and through to deployment. Anything else risks alienating potential end users, an irrevocable situation.

Failure to define success: How to define and measure CRM success is difficult to be understood by the companies even if they understand the differences between CRM's various applications. To avoid this you need to define discrete success metrics such as a different metric to measure increased customer profitability and another metric to measure improved customer satisfaction, and then measure against them. If you don't, there could actually be business successes that aren't rightfully attributed to CRM.

No improvement in business processes: CRM should not simply overlay out-dated corporate policies. It should instead formalize and automate agile, customer-focused business processes. Companies should be open to drastically modify and continue to refine their business processes, and make sure their CRM technology incorporates these process modifications. Further, you don't fall into the trap of hoping your new CRM tool will do this work for you. Processes should be defined from the customer's perspective, not the technologies.

Lack of data integration: The effective customer-focused decision making means understanding each customer across her various touch points and beyond your immediate

knowledge of his age, income, preferred channel, or sales territory. The critical truth is that customer data exists in multiple systems on a variety of technology platforms across your company. The task of finding, gathering, and consolidating this data is not only very difficult but crucial to for successful implementation.

Integration failure with the enterprise: At times companies get myopic with the success of their revolutionary customer-facing improvements via CRM and they become complacent. They need to understand that, CRM is an ongoing process, and they need to be proactive and constantly evolving. Consider establishing an "internal PR" job function to communicate with executives and decision makers who might determine ongoing funding, as well as to the various lines of business who might leverage the functionality and data to further their own customer focuses.

CRM successes should not only be preached rather it should be formalized and updated with the help of regular newsletters, status meetings, or an internal Web site. There is no harm in promoting CRM across the enterprise in the initial stages. Improvement in your customers experience, improved service and generation in more leads by sales and marketing staffs will also call for promoting the CRM across the organization.

Check Your Progress-B

Q1. Why it is important for a marketer to focus on customers?

Q2. List and discuss implementation issues in CRM strategy.

23.8 SUMMARY

In this unit, we have studied what is the meaning of CRM strategy for an organization. The unit takes us through the process use for implementing CRM strategy. You have studied the development of CRM strategy comprises of following three sections: destination setting, auditing the present situation and mapping the journey forward. Further, you covered that CRM strategy is not developed in isolation. It needs to be aligned with business processes and models. You have come across the different benefits which companies like Nestle, Birla and ANZ bank had when they developed customer relationship orientation. You have also understood the difference between two approaches i.e. product-focussed and customer-foucssed. The unit has also discussed the several implementation issues and the ways to overcome them.

23.9 GLOSSARY

CRM: This is a process which helps the organization to manage detailed information about its customers and to maintain customer relationship at several touch points to maximize customer retention and loyalty.

CRM strategy: It acts as the action plan based on which the firms move ahead in the process of developing an ideal customer base. The CRM strategy of a company is coupled with its marketing strategy.

CRM strategy implementation road-map: The overall CRM implementation roadmap has three phases: Planning, Construction and Deployment. These three phases are further divided in to six stages: business planning, design and architecture, selecting technology, development, delivery and measurement

Customer-centric approach: This means putting the customer at the centre of attention and to build strategies around them.

Product-centric approach: This means focusing too much upon the products produced by the company and building marketing strategies around them.

Geographic-centric approach: This means focusing too much upon the differences between regions, language, culture and countries where a company operates and building marketing strategies around them.

23.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q3. True or False

   i.   **False**
  ii.   **True**
 iii.   **True**

Q4. Fill in the Blanks with appropriate word or words.

   i.   CRM strategy is not only about customer and consumer needs, it also about the internal capabilities to deliver to meet those needs.
  ii.   At architecture and design stage, we identify the business processes which the CRM product will support.

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23.13   TERMINAL QUESTIONS

Q1. What do you understand by CRM strategy? What is its relevance for a company?

Q2. Discuss the detailed process of CRM implementation.

Q3. What are the factors to be considered while developing CRM strategy?

Q4. What are the various issues and how they can be avoided while implementing CRM strategy?

Q5. Differentiate between product-focussed and customer-centric approach.

Q6. Write short notes on:

a. Pyramid Model

b. Customer value relationship matrix

c. Benefits of customer relationship orientation

📖 23.14 CASE-LET

The Federal Charter Services (FCS) was started in the Year 2000 with a view to provide quality and value added services to passengers from all over the world to Kerala. It is estimated that nearly 10 million Keralites are settled in several parts of the World which includes the US, UK, Singapore, Germany, France and Switzerland. The state has been witnessing a boom in the hospitality sector. The NRI Keralites themselves had mobilised the money for setting up the first privately owned international airport at Nedumbassery in Cochin in 1998. Taking in to account of all these factors the FCS in 2001 decided to expand its network in a global manner including Middle East and Europe. As a part of it, the FCS acquired new aircrafts and changed its name to FCS airlines.

The company has been showing a steady increase of its top line since then but the projected growth in market share was not achieved.

You have to prepare a plan for maintaining customer credibility through service guarantees and an improved CRM strategy. Your plan should have clear cut strategies and the possible impact of the strategy to help the company gain a competitive advantage.

UNIT 24 CRM BUILDING: INFRASTRUCTURE, INFORMATION PROCESS AND TECHNOLOGY

24.1 Introduction

24.2 Objectives

24.3 Architecture of CRM

24.4 CRM Processes

24.5 CRM Technology

24.6 Summary

24.7 Glossary

24.8 Answer to Check Your Progress

24.9 Reference/ Bibliography

24.10 Suggested Readings

24.11 Terminal & Model Questions

24.1 INTRODUCTION

In the previous units, you have study about CRM strategy, its meaning and definition. The detailed process of implementing CRM strategy, the different sections of CRM strategy development. You will come across the pyramid profile of classifying the customers in different levels. This unit focusses upon the relationship orientation and customer-centric approach. You will also study the customer value relationship matrix. The various implementation issues in the way of CRM strategy are also covered in this unit.

In this unit, we will study about the three component of CRM i.e. operational, collaborative and analytical. This unit will provide us an insight about the CRM architecture. The different decisions such as develop, outsource or buying the CRM infrastructure are addressed in this unit. You will study about the different CRM technology, processes in detail.

24.2 OBJECTIVES

After reading this unit you will be able to:

- Understand the concepts of CRM architecture

- Study the types of CRM i.e. operational, collaborative and analytical

- Learn the meaning of customer database, data warehouse and data mining

- Understand the role of CRM infrastructure and information in its successful implementation

- Appreciate the role of CRM processes
- Understand the types of software and technology benefits for CRM

24.3 ARCHITECHTURE OF CRM

As discussed in earlier units, CRM is an essential system which consists of variety of activities. These activities range from understanding of customer needs to development of suitable marketing opportunities and then channelizing profit potential over the period a customer stays with the company. The goal of CRM is not just to acquire a customer rather its success is measured in terms of its ability in building customer relationships and retaining them for a lifetime. Thus, the focus of a well-planned and managed CRM system is to enhance customer experience at every touch point and to help the business organization in gaining meaningful information about their customers.

The CRM system architecture consists of 3 broad categories:

Operational CRM: This component of CRM consists of basic operational activities provided by an organization such as the services provided by the order taking clerk in Dominos. Operational CRM gives support for various business processes, such as sales, marketing and service. The common examples of operational CRM are contact and call centers, data aggregation systems and company web sites. Operational CRM solutions offer tools to solve the issues like high customer turnover, or perhaps high servicing customer costs. Operational CRM requires customer agent support software.

Collaborative CRM: At present consumer interaction takes place through series of tools such as: customer visit at the company web sites, email and through Automated Voice Response systems. The role of collaborative CRM is to integrate customer integration across these multiple channels of interaction. Thus, collaborate CRM manages and coordinate mix of interaction channels like e-stores, physical stores, and call centres. Collaborative CRM offers an effective method of communication which not covers direct interaction with customers with the help of their feedback collection. Collaborative CRM helps the organizations in improving the services offered by a company and also enables better management of sales, marketing and technical support issues. It is a radical tool which allow real time sharing of customer information and interactions with the concerned employees in the company. For an example, the customer feedback which is collected by the technical support team may be of great relevance to the marketing staff in order to serve in the interest of customers, this

feedback will be shared with the help of collaborative CRM between technical and marketing department. The ultimate goal of collaborative CRM is to enhance customer service quality and to provide improved customer satisfaction. Collaborative CRM works on an interactive system.

Both, operational and collaborative CRM enables a firm to interact and support their existing customers. However, the companies face the problem of generating a broad base of customers due to following reasons:

– Acquiring new and profitable customers

– Longevity of customer relationship

– Strengthening the customer relationship

–

Analytical CRM: It is the highest order category of CRM. It is made up of a reliable set of applications that are analytical in nature. Analytical CRM enables an organization to measure, predict, and optimize its relationship with its customers. To address the issues cited above, analytical CRM provides a comprehensive analytical infrastructure that allows a firm to gather all the relevant information about customers and organise it constantly. Thus, a complete holistic view of customers is possible to achieve with the help of analytical CRM. It forms the basis for multitude of analytical methods which can be used to measure and build really interactive, beneficial, and profitable relationships for both the organization and for customers. Analytical CRM requires statistical analysis software as well.

Analytical CRM provides solution to variety of issues and give support to a wide range of decisions taken in any business scenario. The analytical capabilities of CRM enables a firm to identify latest market trends and in directing the investments in the markets with better profitability. Analytical CRM also helps in:

➢ Acquisition of new profitable customers

➢ Helps in understanding the individual customer needs which results in improved the customer relationship

➢ Better understanding of customers helps the organization to cross-sell and up-sell other products and services to the same group of customers

➢ Improving customer loyalty and reduce customers' propensity to move out

➢ Gearing-up all the activities and functions of a firm toward customer-centricity

➢ Building profitable customer relationships with high-value customers by:

– Proper targeting of the investments in marketing, sales, and service towards such customer

- Focussing firm's attention and services more effectively toward high-value customers

- Driving internal efficiencies and improvements in the processes

- Gaining proper customer knowledge to automate and personalize customer interactions

- Integration of overall business strategies with marketing, sales and service strategy

➢ Use of analytical CRM can result in an increase of profits by 100% by reducing the customer attrition or increasing the customer retention just by 5%.

CRM Architecture Evaluation: The firm must focus on business benefit than the technical attribute while evaluating the CRM application's technology and architecture. The CRM architecture evaluation criteria to be used are:

➢ Scalability: This criteria assess the system's ability to manage increased capacity and efficiency if required.

➢ Multichannel Capability: This means the ability of the CRM architecture to offer neutral application platform which is consistent across multiple channels of interaction.

➢ Availability: This assesses the system's ability to handle any planned or unplanned power or current failure and to minimize its impact. It should also be capable of providing continuous service to its users.

➢ Configurability: The ability of the architecture to adapt according to the underlying data definitions and rules of business-processing with ease. It may not require to change the code provided by the vendor.

➢ Integrability: It is very important that the CRM architecture is capable of getting integrated with the other applications and overall enterprise's integration architecture.

➢ Maintainability: This measures the ability of the architecture to support application upgrade. You should also evaluate the extent to which a vendor has experience in upgrading the systems of its customers.

24.3.1   INFRASTRUCTURE

CRM solution development comprises of a range of decisions to be taken, number of activities to be performed and a variety of people involved in it. However, the focus of everyone involved is towards the end goal and this is maintained with the help of strategic and project plans. The building of a CRM system initiates the very moment any organization decides to use CRM system to build and manage customer relationships.

The typical development process for CRM consists of following steps:

- ➢ Project launch
- ➢ Business requirement understanding
- ➢ Need analysis and component designing
- ➢ Development and testing of the solution
- ➢ Implementing and supporting the solution

CRM lifecycle: The development lifecycle of CRM comprises of three phases.

Phase I: This phase is the transition from strategic planning to build a CRM to the launch of a CRM project.

Phase II: The building of CRM infrastructure depicts next phase.

Phase III: Finally the implementation i.e. the integration of the CRM infrastructure to understanding customers is the last phase of this cycle.

This procedure is closely related with the first half of our CRM life cycle. It clearly shows that the entire project development work begins with the change inside the company. The last step is to support the infrastructure which has been developed. It is very important to create support for each of the components. Though the focus of CRM lifecycle is to make repeated efforts to improve and develop further but it is also very crucial to support each of the components as it has been integrated with the firm's operational infrastructure. The remaining the remaining three steps of building the infrastructure includes: analysis requirements, design, and construction.

Managing and Sharing Customer Data: In the present times managers realize a company can achieve better profitability and economic benefits with the help of deep and enhanced customer knowledge. Collecting and managing customer knowledge is most crucial to CRM success. The major challenges in collecting and interpreting customer knowledge is the fact that though is widely spread across the organization but each department has its own unique ways of collecting information regarding customers to meet their own information requirements. Thus, it is very difficult for the firm to bring the customer knowledge together at one common platform. This is where the customer database, data warehouse and data mining come to the rescue for effective decision making.

The CRM theoretical foundation states that all the information collected during customer interaction with any of the company's touch point is transferred to common database of a

company's system. This information which is collected is quantitative, qualitative and behavioral in nature. CRM data warehouse is a place where this information is then made available. It is further made available for customer interactions after getting cleaned, analyzed, refined, and sorted. You can consider following example to understand it better, suppose if a customer now calls into a call center of Dominos, the representative can now see their sales history, places they frequent, what they access the web for; not just their call history with the call center. This gives the representative the ability to personalize and customize the order by making references to recent sales, etc. The three important components to manage customer data in any CRM system are:

Customer Information Database: This database is developed by collecting all the necessary information about the current and prospective customers who can be accessed and acted upon by the company. The companies make use of this data base for the purpose of generating leads, qualifying leads, selling products or services and to enhance better customer relationships.

The customers interact with a firm from different touch points. There are several touch point at which a customer interacts with the firm such as website, retail transaction, internet cookie, telephone enquiry, registration etc. A firm can develop database by collecting information about their purchase history, age, income, occupation, family size, lifestyle, preferred media etc. from the above mentioned touch-points. This database acts as the core of business-customer relationship. Database architecture is not very efficient to use of analytical CRM, and hence a data warehouse is used for storing information related to customers.

Data Warehousing: It is an application which works with a database build on compute. It provides accurate and timely information to the decision makers by collecting, integrating and storing customer data and information. Analysis techniques such as data mining are also based on data warehousing. Data warehouse acts as a repository for an organization's data. The informational assets of the firm are stored and managed in the data warehouse. Data warehousing enables number of activities such as reporting, analysis, decision-making, and various other activities such as optimization of organizational operational processes.

Data Mining: Meaning of data mining is to extract meaningful and understandable patterns from the data regarding customers. The ability to capture data from multiple touch-points and extensive use of databases have created the problem of information overload for the companies. Thus, it is very important for the companies to use the relevant tools to mine this huge databases for its effective utilization. Data mining techniques support automatic exploration of data. Data mining attempts to source out patterns and trends in the data and infers rules from these patterns. The evolution of data mining began when business data was

first stored in computers, and technologies were generated to allow users to navigate through the data in real time.
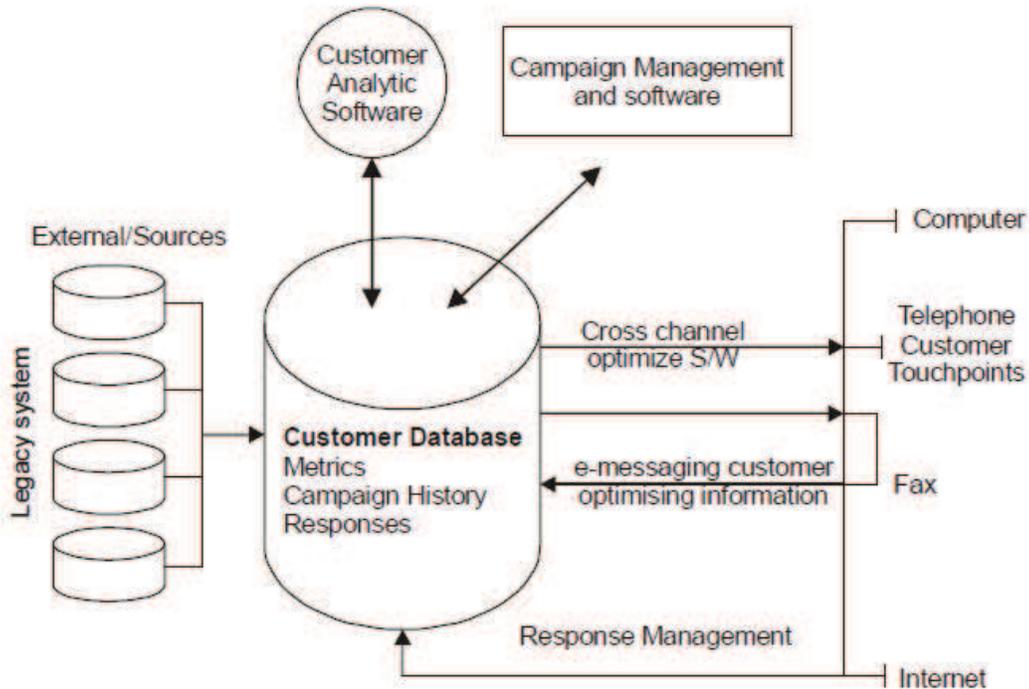

Fig 24.1 Managing and Sharing Customer Data

Source: http://archive.mu.ac.in/myweb_test/MCA%20study%20material/M.C.A.(Sem%20-%20IV)%20Customer%20Resource%20Management%20(Elective%20-%20I).pdf

Decision to Buy, Build or Outsource CRM Infrastructure: Around 75% of the firms chose to "buy" application packages to gain access to a wealth of functionality and best practices. Though, the key to CRM is competitive differentiation and this often calls for significant customization. Few of large organizations usually in telecommunications and financial services build their CRM infrastructure with sufficient resources. They have a culture of developing their own applications and defining and controlling their application and data architectures. Sometimes this may also take the form of buying infrastructure backbone with tools that allow an organization to re- build its existing processes in the new environment. The organizations offering application outsourcing models, advertise rapid start-up, limited or no capital expenditure, reduction in IT resource requirements, lower operating expenses and painless software upgrades to firms. However, the outsource CRM infrastructure has the difficulties in integrating with in-house enterprise applications and lack of customization capability leading to changes to internal processes and ongoing reliance on the outsourcer.

CRM Integration decision: As discussed above that the main drawback with outsourcing the CRM infrastructure is its integration with in-house applications. CRM tools are very popular in term of their use as they are capable of providing seamless integration across the process and a common customer data model. If any organization wants to augment its core suite with best of breed products or wants to depend completely on best of breed products, integration will be a big time trouble for them. The cost of upgrading the modules over the period and if the demand evolve is additional to the initial cost of developing and implementing the CRM system. You should also know that, unless the enterprise has its own set of integration standards they have to depend upon the temporary solutions as offered by the individual vendors or consultants.

24.3.2 INFORMATION: DATA AND ANALYSIS

The use of customer information and knowledge is covered in detail in the section above. You have understood that successful CRM requires a continuous flow of customer information throughout the organization and seamless integration between operational and analytical CRM systems. Success of CRM strategies is dependent upon the access of right information at the right time. The right kind of CRM offers customer insight and allows effective interaction across multiple channels. However, most firms' CRM information capabilities are poorly designed which results in a large number of fragmented departments, databases and systems. You can achieve your CRM goals and objectives and gain a competitive advantage if you have a business plan for tracking, managing and leveraging information regarding your customers in a well-integrated manner.

Customer Data Management: The role of customer data is critical to every business. With the help of adequate customer information at the time of need enables the firm's sales, service and marketing teams to target specific customers through an in depth understanding of customers. The customer touch-point analysis is very crucial. Let us consider following example to understand data collection and analysis further, 'Customer purchase data at the retail counter is recorded with the help of variety of tools right from point of sales, to feedback and complaint systems. It is very difficult for the retailer to manage customer data due to the huge volume and because it keeps on evolving constantly by the change in personal and transactional information.

It is important to continuously manage the data to maintain its quality and use for the given business. Further, as discussed above the companies make use of data mining tools to analyze this data and to take meaningful decisions.

Challenges in Information and Infrastructure Integration: Establishing infrastructure and information systems are crucial step in a CRM diagnostic process, but their correlation with functionality is widely overlooked.

The IT experts provide a perspective in technical terms for the CRM process. This perspective deals with the operating systems, databases, storage devices, networks and more; however they have limited focus to look upon its functionality and to create the optimal infrastructure suitable for the business. Given the shortage of staff in the IT department to work upon, they consider CRM just one additional project assigned to them. Hence, you will come across the software that may fit technically with the infrastructure and architecture, yet it lacks any correlation with management objectives or business processes.

The common practice is that IT team is made in-charge of supporting the CRM system. The reality is that most of the IT teams do not have the necessary background to effectively deal with supporting the CRM applications from a user perspective. Administration of the CRM system calls for close interaction between the users and team providing functionality, IT team possess the expertise to provide technical support but it lacks in terms of interaction. The problem if the IT team is that it does not have the expertise necessary to manage the business process. As such, a balance of key issues relating to the technical capabilities of both hardware and software are crucial to smooth integration, but should not be the driver of selecting a solution.

24.4 CRM PROCESSES

In past, organizations have re-engineered their processes to improve the efficiency of their operations and to reduce costs. The beneficiary of these processes was the frim, not its customers. The rise in CRM has made enterprises to rework on their key processes that touch the customer and asking customers which processes matter to them, this is known as re-engineering. Enterprises often do not understand that their functionally fragmented processes results in a poor customer experience and they receive less than the expected value.

The organizations can use re-engineering successfully in meeting the expectations of their customers, in providing value proposition to them, in creating competitive differentiation and in creating desired customer experience.

The different processes involve in developing an effective CRM system are:

ERP Selection: The company has to choose the right CRM system. The capability of the product, its cost and ability to integrate with the overall business objectives and existing

technology is considered while selecting an ERP system. Some of the popular ERP providers are Seibel, SAP and Oracle.

Scoping: This process involves the analysis of scope of a given system. The scope analysis covers the range of processes this system is capable of offering such as sales and marketing processes and service platform. Service platform provides seamless integration across the multiple applications, functions across the enterprise, among the different units or partners of with an objective to provide a unified experience to all i.e. customers, managers, employees and partners.

Design: This step involves a gap analysis for a successful business implementation and technical implementation of the system. Further, the mapping for sales and marketing functions and processes is done.

Implementation: The resources requirements for both hardware and software are review during the implementation process.

Impact: This process offers an opportunity to the company to evaluate this system and its overall business impact.

Check Your Progress-A

Q1. Define data warehouse and data mining.

Q2. List the different processes in developing CRM.

Q3. Why the companies prefer analytical CRM over operational and collaborative CRM?

Q4. True or False

    i.   The common practice is that marketing team is made in-charge of supporting the CRM system.

    ii.   In past organization have re-engineered their processes to improve the efficiency of their operations and to reduce costs.

Q5. Fill in the Blanks with appropriate word or words.

    i.   The main drawback with outsourcing the CRM infrastructure is its integration with in-house applications.

    ii.   _____ assess the system's ability to manage increased capacity and efficiency if required.

24.5 CRM TECHNOLOGY

You have studies so far that CRM is both managerial and business applications and technology applications. CRM technologies play the role of an enabler to any present CRM business strategy. As we have discussed in the above section, CRM integration issues exist, however they are given a low priority as compared to the cost and time of implementation. The companies need to appreciate the fact that true CRM requires continuous customer-centric processes, which are facilitated by technological integration throughout the organization and its supply chain.

CRM Technology: In the present scenario customer relationship management technology and software applications are gaining popularity despite of the fact that they can't replace face to face customer service processes. CRM technology is designed to allow companies to enable effective sales and marketing activities and for managing data and information. The large businesses requires customer information to build and maintain effective relationships with their customers and this is supported by CRM technology. Further, CRM technology enables an enterprise with:

– Sorted customer information in databases

– Analysis of data to understand customer preferences and behaviour

– Easy access to geographically and department wide spread data

– Easy customer access with the help of online transactions

    – It enables the company to make each individual customer feel important and values with the help of quick personalized communications

CRM technologies and applications:

Customer database: Customer database acts as the foundation for an effective CRM technology application. As we have studied, companies store major information about their existing and prospective customers in CRM databases. CRM applications can range from being very basic to most complicated and sophisticated ones. In a basic CRM system, the contact information of both existing and prospective customers is stored. The information provided by basic CRM system is useful for the companies but it is not effective for detailed marketing program and for customer loyalty programs.

CRM software systems: The merit of a CRM software application does not lie with storing information. A good database is one which not only stores the relevant information, but it's also about what you can pull from the system, and what you do with the information you access, that really makes a difference. CRM technology application allows companies to manage even the largest customer and prospect databases in an efficient and effective manner.

An effective CRM system provides a quick and easy access to customer information for effective decision making. CRM technology permits it's users to access the information one need at the fingertip instead of mining data across the paper files and endless spreadsheets; you can easily find out when the last time a certain customer made a purchase or to know who inquired about a particular product last time.

Further, good CRM technology integrates the channels of communication and touch-points at which a customer interacts with the company. This enables development of positive customer relationships as the customers need not to explain themselves to different employees of the company every time they have to call back for the same situation. A system which has the ability to enter contact details of customers to identify them will help its employees to respond quickly to customers complaints and to build positive relationships with customers.

Contact centre technology: Another important component of CRM technology is the touch point which enables an enterprise to interact with its customers. IVR (Interactive Voice Response) is a popular tool which is used by a large number of organisations at present. It is an application that allows a telephone caller to select options (pre-recorded voice prompts) from a voice menu. It is one such technology which is available anytime and anywhere. This

automates interaction with telephone callers. IVR is now capable of having voice recognition also than keyboard input alone. The IVR comprises of:

IVR platforms: These are servers and operating systems. User of this platform can play and record prompts and can collect inputs from the touch tone. It may also offer the ability to recognize spoken inputs, transfer IVR calls to agents.

IVR applications: These are the programs that control and respond to calls on the IVR platform. These applications direct the IVR platform to prompt callers, gather input, and transfer calls to other phones. They are capable of retrieving the data from database that is required during the call.

Backend servers: The existing servers of the company on which the customer and other corporate data is stored are known as backend servers. The examples of backend servers are: databases, mainframes, Java or other application servers.

Telephony Infrastructure: This comprises of telephone lines, equipment used for call switching and Automatic Call Distributors (ACD's) which are frequently used by the call centers.

Factors to be considered while procuring IVR are:

- If the IVR system is installed or it is a hosted version

- The capacity and scalability attribute of the system

- Specialty of the IVR

- Ease with which it could be integrated and implemented

- Training and support required to work on the given system

- Whether it is DTMF (Dual Tone Multi Frequency) IVR or speech recognition IVR

Customer complaint management technology: Complaint is any expression of dissatisfaction by a customer with a product or service. This technology has two components: front end and back end. Front end is represented by the customer profiling page, it contains all the important details about the customer and it is the interface for taking and logging the customer's complaint. There is a customer interaction page also. At the back end there is a customer resolution page and an MIS.

Front desk management technology: This technology is used in airlines, hospitals and clinics, government offices, post offices, retail, banks, etc. Another common application is electronic queue management system. The components of this technology are: ticket dispenser, status dispenser, teller station and counter display unit.

Payment technology: Bill payment kiosks is one of the common payment technology, it provides a convenient option for service providers to avoid the customers queue and the waiting time.

Selecting CRM Technology Application: After understanding the meaning of CRM technology, it is easy to appreciate how their application can be beneficial. Selecting CRM technology system is a big decision and it required a thorough understanding of how the database is structured and what kind of report writing capabilities are included in it.

You can get a variety of off-the-shelf CRM software applications in the market. The choice of an application for a particular company is based on its size and type of operations. A list of few programs appropriate for your business includes:

- AIM CRM
- Commence
- Microsoft Dynamics
- On Contact Software
- Zoho.com
- Salesforce.com

So far, we have studied that the key component of an effective CRM is technology. The firms have to face to measure issues regarding CRM technology. These issues are CRM software vendors and keeping up with the CRM trends.

CRM Software Vendors: The company has choice to select CRM vendor from a pool of several competent and sound vendors. The major challenge present is, 'whether these vendors will provide what they have promised or not?' There are ample examples which have proved that the integration of the system provided by the vendors and with the back office systems of the organization is often not seamless. Thus, the companies need to make extra payment for the modules to obtain the functionality promised by the vendors. It is important for the firm to evaluate the capability of the vendor before making the purchase as these vendors often lie just to remain ahead of competition.

Keeping Up with CRM Technology Trends: CRM technologies change at a rapid pace and it is important for the organization not to focus upon keeping themselves on the top in these trends rather they should look for those technologies which will impact the future of CRM industry and their own CRM efforts.

Check Your Progress- B

Q1. List and discuss the benefits of CRM technology.

Q2. Write short notes on:

    a. **IVR**

    b. **Customer complaint management**

    c. **Payment technology**

    d. **Back end servers**

Q3. What are the factors to be considered while selecting CRM technology application?

24.6 SUMMARY

This unit provides continuation to the topics covered in the previous units regarding CRM. This unit through light on CRM architecture; three categories of CRM i.e. operational, collaborative and analytical are explained. The different benefits of using analytical CRM such as wider customer base, strong customer relationship etc. are also discussed. The factors such as scalability, multi-channel capability, availability and configurability are explained.

The different decisions to be taken while developing CRM infrastructure are addressed in this unit. The three essential components of CRM infrastructure i.e. database, data warehousing and data mining are also explained. The role of information and challenges in integrating information with infrastructure is discussed in this unit. The process of re-engineering to provide benefits to the consumers along with the company profitability is covered in this unit. The different processes such as selection of ERP, scoping, design, implementation and impact measurement is discussed.

This unit has covered the meaning of CRM technology, the benefits of using CRM technology for a business. Different types of CRM technology such as: IVR, back end servers, complaint management technology, payment technology, CRM software are discussed in detail.

The challenges in front of a firm while selecting CRM technology, vendor selection and while keeping up with the technology trend are also explained in this unit.

24.7 GLOSSARY

Operational CRM: This component of CRM consists of basic operational activities provided by an organization such as the services provided by the order taking clerk in Dominos. Operational CRM gives support for various business processes, such as sales, marketing and service.

Collaborative CRM: This is used to integrate customer integration across these multiple channels of interaction. Thus, collaborate CRM manages and coordinate mix of interaction channels like e-stores, physical stores, and call centres.

Analytical CRM: It is the highest order category of CRM and a reliable set of analytical applications that help the firm to measure, predict, and optimize customer relationships.

CRM lifecycle: The development lifecycle of CRM comprises of three phases. The project launch occurs during the transition from strategic planning (Phase I) to building infrastructure (Phase 2) and implementation (integration) occurs during the transition from building infrastructure to understanding customers (Phase 3).

Customer Information Database: This database is developed by collecting all the necessary information about the current and prospective customers who can be accessed and acted upon by the company. The companies make use of this data base for the purpose of generating leads, qualifying leads, selling products or services and to enhance better customer relationships.

Data warehousing: It is an application with a computer database that collects, integrates and stores a company's data with the purpose of generating accurate and timely management of information.

Data Mining: The term 'data mining' refers to the finding of relevant and useful information from databases.

Interactive Voice Response: It is an application that allows a telephone caller to select options (pre-recorded voice prompts) from a voice menu.

Backend servers: These are existing enterprise servers on which the required customer or corporate data can be found.

24.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. True or False

   i.   **False**

   ii. **True**

Q5. Fill in the Blanks with appropriate word or words.

   i.   The main drawback with outsourcing the CRM infrastructure is its integration with in-house applications.

   ii. Scalability assess the system's ability to manage increased capacity and efficiency if required.

24.9 REFERENCES

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24.10 SUGGESTED READINGS

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24.11 TERMINAL QUESTIONS

Q1. Explain the three categories of CRM with suitable examples.

Q2. Discuss the detail the processes of CRM development.

Q3. What are the challenges in integrating information with infrastructure?

Q4. What are the factors to be considered while evaluating CRM architecture?

Q5. Explain IVR. What are the factors to be considered while purchasing IVR?

Q6. What are the different CRM technology and applications?

Q6. Write short notes on:

   a. Customer data management

   b. Data Mining

   c. CRM integration decision

   d. Phases of CRM lifecycle

   e. Contact centre technology

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CONSUMER BEHAVIOUR
PART II (BLOCK III & IV)