

**MBA Third Year**  
**Marketing, Paper - III**

# **CONSUMER BEHAVIOUR**



**मध्यप्रदेश भोज (मुक्त) विश्वविद्यालय – भोपाल**  
**MADHYA PRADESH BHOJ (OPEN) UNIVERSITY - BHOPAL**

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# SYLLABI-BOOK MAPPING TABLE

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Syllabi	Mapping in Book
<b>Unit I</b> Introduction to Consumer Behaviour; Consumer Behaviour and Marketing Strategy; Consumer Involvement and Decision-Making.	<b>Unit-1:</b> Introduction to Consumer Behaviour (Pages 3-29)
<b>Unit-II</b> Information Search Process; Evaluative Criteria and Decision Rules; Consumer Motivation; Information Processing and Consumer Perception.	<b>Unit-2:</b> Information Process, Consumer Motivation and Perception (Pages 31-61)
<b>Unit-III</b> Consumer Attitude Change; Influence of Personality and Self Concept on Buying Behaviour.	<b>Unit-3:</b> Factors Influencing Buying Behaviour of Consumers-I (Pages 63-84)
<b>Unit-IV</b> Psychographics and Lifestyle; Reference Group Influence; Diffusion of Innovation and Opinion Leadership Family Decision-Making.	<b>Unit-4:</b> Factors Influencing Buying Behaviour of Consumers-II (Pages 85-120)
<b>Unit -V</b> Industrial Buying Behaviour; Models of Consumer Behaviour; Consumer Behaviour Audit; Consumer Behaviour Studies in India.	<b>Unit-5:</b> Consumer Behaviour Models and Audit (Pages 121-175)

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## INTRODUCTION

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To succeed in a marketplace, a marketer has to understand the behaviour and mood of consumers. Understanding consumer behaviour is the key to success for a marketer. There is enormous variability in the way customers buy and use products. They may buy the same product but put it to different uses. Some customers will buy a product after a lot of consultation, whereas others will make the purchase decision of the same product independently. Some customers will buy products from upscale stores, whereas others will buy the same products from a modest store close to where they stay. Some customers may buy a product that is a reflection of their social standing, whereas others will buy the product for purely functional reasons.

The types of behaviour that different customers demonstrate in buying and using the same product and the different types of behaviour that the same customers demonstrate in buying different products elevate marketing to a discipline which is more intricate than product management. Even the same customer may not behave in the same fashion while buying the same product under varying circumstances. By studying the behaviour of customers it becomes possible to segment the market in new ways and serve customers with different marketing mixes even if the product of the various marketing mixes may be the same. Alternately, differential offerings for various segments can be developed with different marketing mixes. Hence, an in-depth analysis of the market and knowledge of customers are prerequisites for marketing.

This book has been divided into five units with special emphasis on the different aspects of consumer behaviour.

This book *Consumer Behaviour* is written strictly in SIM (self-instructional material) format for students of distance learning. Each unit starts with an Introduction and Objectives. Then, the detailed content is presented in an understandable and organized manner. Each unit has a set of Check Your Progress Questions to test the readers' understanding of the topics covered. A Summary along with a list of Key Words and a set of Self-Assessment Questions and Exercises is also provided at the end of each unit for effective recapitulation. Each unit also has a list of books for Further Readings.

## NOTES



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# UNIT 1 INTRODUCTION TO CONSUMER BEHAVIOUR

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## 1.0 INTRODUCTION

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Consumer behaviour is concerned with understanding the behaviour that consumers exhibit while purchasing, using or disposing products and services. Apart from the actual procurement of goods and services, the term is also used to refer to the decision making process. In order to understand consumer behaviour, it is important to discuss the meaning of concept of consumers, customers, buyers and users. One of the ways in which consumer behaviour is analysed is through market segmentation. Consumer markets are segmented on the basis of geographic factors, demographic factors, psychographic factors, etc. The growth of the consumer movement further increased our understanding of consumer behaviour.

In recent times, consumer behaviour has undergone changes in the Indian economy. With the rise of the Internet and e-commerce, the nature of consumer market has changed significantly. These changes has further enhanced our understanding of consumer behaviour.

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## 1.1 OBJECTIVES

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After going through this unit, you will be able to:

- Discuss the concept of consumer behaviour with reference to marketing
- State the role of consumer behaviour in the marketing strategy of a product

- Analyse the involvement of consumers in the final purchase of a product
- Explain the kinds of market segmentation

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### 1.2 CONSUMER BEHAVIOUR

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As a subject or field of study, consumer behaviour has its roots in the concept of marketing, which evolved in the 1950s and presented many alternative approaches to business. These approaches or concepts were that of:

- Production
- Product
- Selling

The most important characteristic of marketing is giving customers what they want, that is, providing them the value they desire. A company cannot possibly satisfy all the customers in a market because the needs of customers vary. Most organizations do not have the capability to serve widely varying needs. An organization has to select customers whose needs can be matched with its capability to serve them. If it tries to serve all customers, it is sure to dissatisfy at least some of them. But if an organization selects its customers carefully, it is possible to satisfy all of them completely.

Successful firms rely on their satisfied customers to return to make more purchases and recommend the company's offerings to others. Therefore, the aim of marketing is to allure and retain customers through long-term satisfaction of their needs.

Companies know that attracting new customers is a much costly affair than retaining existing ones. Marketing-oriented firms maintain relationships with their existing customers by providing them satisfactory services. They attract new customers by building expectations and promising to provide value. New customers find the company's promise credible, as the company's existing and erstwhile customers vouch for it.

It is only appropriate to treat marketing as a primary business function as it not only establishes and develops, but also commercializes customer relationships in the long run, so as to fulfil the objectives of all involved, through marketing. Customer needs are served and the company earns profits.

A company exists primarily to serve its customers. Therefore, customers are the most powerful stakeholders of any company. It is the job of the marketer to keep the company's people, processes and systems tuned to serving the most important stakeholder of the company. Customer interests must be paramount and should be protected in every decision that a company takes.

Customer needs are discovered and the organization's processes orchestrated to serve those needs truthfully. A company practicing the marketing concept achieves corporate goals by meeting its customer needs better than its competitors. A marketing oriented company focus are its activities towards customer satisfaction. The company knows very well that customers can be fully

satisfied only if efforts are integrated across the company, across all departments. In other words, all the departments, including production, research and accounts should firmly believe that the customer comes first; that fulfilment of customer needs is crucial to the company's operations. Decisions are taken in these departments keeping in consideration the impact that these will have on the customers. Role of marketing, in a firm, is to support the cause of the customer and to orient the whole organization towards serving customer needs. The management should believe that its corporate goals can be attained only when its customers are satisfied.

Marketing is not the sole prerogative and responsibility of the marketing department in an organization. Each department, in fact every employee of an organization, primarily performs the function of a marketer. His main job is to convey a consistent image of his organization, whether it is to the internal stakeholders (employees, shareholders), or to the external stakeholders (customers, public). The company should realize that every interaction of any of these stakeholders with any employee of an organization will decide the fate of the organization.

Marketers need to communicate formally and informally with people in other departments in their organization more often.

For most companies the marketing department is the first and the main source of knowledge about the customer. But when marketers try to share their insights with other departments, the information is often ignored or misunderstood. The problem lies with how often and in what manner the marketing department communicates with other departments in the organization. Marketers who interact with their non-marketing colleagues fewer than ten times a week tend to have their work undervalued by people in other departments. Contacts fewer than ten times a week—whether formal or informal, spoken or written—means that the marketer has not been in communication enough to learn what information is needed by others in the company, or how and when it should be presented. Marketing managers who have infrequent contacts with their non-marketing colleagues do not develop the kind of understanding they need in order to provide the right information at the right time and in the right format.

But the increased value associated with boosting the frequency of communication begins to level off at about 25 times a week. Therefore, marketing managers should strive to communicate between 10 and 25 times. In fact, marketing managers who communicate with their non-marketing colleagues more than 40 times a week also run the risk of having their work undervalued by other departments. Non-marketing managers often receive a flood of information like daily sales reports by product and market. They cannot review all this data or think about it. A deluge of communication confuses and eventually alienates the receiver.

All types of communications like individual and group meetings, phone calls, faxes, mails, voice mails, memos and even a chat in cafeteria are counted. But the mix between formal and informal communication matters. A 50-50 mix of formal and informal communication is optimal for getting the marketers' message across.

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Formal communication is useful because it is verifiable, and in situations where two departments have different styles, a formal procedure for communication can reduce conflict. Informal communication allows people to exchange critical information unlikely to be found in a real report, such as the 'real' reason why a customer defected. They can also help clarify and give meaning to what is said in more formal communications. And they give the opportunity to people to ask 'dumb' questions which they otherwise would not. The spontaneous nature of informal communication also does not give participants the time to develop politically-motivated opinions.

Customer concern of a market-driven company runs throughout the business. All of its departments are aware that the customer is most crucial for the success of their business. However, in an internally focused business, the convenience of a firm takes the first place. If the customer demand is inconvenient for such a firm to produce, it makes excuses to avoid giving it to the customers.

Market-driven companies know how customers evaluate their products against their competitors. They also know very well the selection criteria employed by the customers to assess their products and to make sure that their marketing mix is not just in line with those criteria, but also a shade better than competition. On the other hand, an internally driven company assume that some criteria, such as price and performance, are considered uppermost by all customers. They, thus, fail to understand what are the real concerns of customers. They don't acknowledge that different customers can have different concerns. Market-driven business firms analyse segments on the basis of the customer differences that influence marketing strategy. Businesses with an internal focus will opt for segmentation by product. These companies become vulnerable when there is a change in customer requirements. This is mainly because they are not aware of or not do really understand what the customers need in the first place.

Market-driven businesses are able to understand that by spending on marketing research they are actually making an investment that is capable of yielding great profits or rewards in the future through good customer understanding. Their strategies are based on the knowledge of customers which is gleaned through market research activities. Market research drives the strategies and operations of market-driven companies. Internally-driven business firms treat marketing research as an activity that is non-productive. They, therefore, depend on information received from elsewhere or other's experiences. Market-driven businesses, on the other hand, appreciate organizational changes that occur as companies move to maintain a strategic fit between varying customer requirements and their strategies. Internally-oriented businesses encourage status quo and abide change.

Market-driven businesses analyse competitors' objectives and strategies, and predict competitive actions. They make strategies to counter moves of competitors and when they initiate actions they always feature in competitors' probable reactions to them. An internally-driven company is content to underplay the competition. They live with the illusion that competitors cannot ever harm them.

Effect spent on marketing is called investment having long term consequences in a market-driven business. Such companies invest in understanding customers. They invest in building brands based on their understanding of the customers. Internally-driven companies view marketing expenditure as superfluous that never seems beneficial, but the company has to incur them to be on par with competitors. They believe that customers will buy their products because they have superior solutions to their needs. They do not check if their assumptions about customers having particular needs are actually felt by the customers themselves, and whether their products and services are actually useful to them. Reality dawns on them only when their business starts faltering.

Market-oriented business firms offer rewards to those employees who are willing to think out of the box while attending to customers; are willing to go that extra mile and serve customers innovatively, effectively and efficiently. Such companies know that most of the times new products are not successful and there is a revulsion to punish the people who jeopardize their careers championing the idea of a new product. Internally-oriented companies reward people who serve serve time and do not make mistakes. They reward people who help in quelling disturbing news from the market about customers and competitors. This helps avoid risk and continue status quo.

Market-driven companies look for latent markets or markets that have not been exploited by other companies. Markets that no other company has exploited. Their people, systems and processes are flexible enough to sense such markets and design appropriate products and services for them. An internally-driven business, however, are happy to sticks to its existing products and markets. They are not close enough to customers to be able to identify their latent needs, and their people, systems and processes are designed to serve only crudely expressed needs.

Intensive competition connotes that firms need to be alert to the dynamics of customer needs and competitor moves. Market-driven companies are sensitive, fast and flexible to be able to respond to changes in the market. Marketing-oriented companies try for competitive advantage. They look for serving customers better than their competitors. Internally-oriented companies are happy to offer products that are similar to the ones already in the market.

Commitments by marketers impact both the company and the customers. For the company it indicates the promise of delivery of its offering, while for the customer, it shapes expectations. Commitments must consider the short term and long term impacts on both the concerned stakeholders.

Despite differences in their personal attributes, behaviour and styles, successful marketers excel in making, honouring and remaking commitments to customers. Marketing commitments can take many forms which include installing special machines, serving customer requirements, delivering an item at a particular time, positioning the product and public statements. These commitments exert both an immediate and enduring influence on the company. A commitment to deliver an item sooner than it is normally done exerts pressure on the production system of the company. When a company positions its offering, it implicitly chooses one

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market over another. When a company selects a target market, it is willing to forego important segments that may emerge in the future.

When a marketer makes a commitment, it affects two distinct constituents: customers and the company of the marketer. The marketer has to anticipate the consequences of his commitments for both his constituents. In a market where buying criteria are still being established, it may be fatal to position the company's offering very narrowly. Selecting a celebrity to spearhead the marketing campaign of the company has both short term and long term consequences.

The idea is that commitments made by marketers binds the company in some particular way for some time in future. Marketers should be able to think through these consequences. But when marketers find out that their commitments are holding the company back, they should replace the old commitments with fresh ones. Customers understand that commitments implicitly have some conditions attached to them and when conditions change dramatically, an old commitment should be replaced by a more rejuvenating one. Commitments should not bind the company in a manner that compromises its very survival. It is not as if the company is going back on its commitment, it is just that an antiquated commitment is being replaced by a fresh one, which is reflecting current realities.

### 1.2.1 Nature and Importance of Consumer Behaviour

Consumer behaviour is defined as the behaviour that a consumer displays in searching for purchasing, using, evaluating and disposing of products and services that he expects will satisfy his needs.

The study of consumer behaviour enables marketers to understand and predict consumer behaviour in the marketplace. It is concerned not only with what consumers buy, but also with why, when, where, and how they buy it. Consumer research is the methodology used to study consumer behaviour. It takes place at every phase of the consumption process: before the purchase, during the purchase and after the purchase.

Consumer behaviour focuses on how individuals make decisions to spend their available resources on items related to consumption. To succeed, businesses need to know everything they can about consumers. They need to understand the personal and group influences that affect consumer decisions and how these decisions are made.

Consumer behaviour is important as it is the essence of marketing. It helps the marketer to provide the desired value to customers. To understand each customer and be able to satisfy all his needs in a market is not possible as the needs vary a lot. Most of the organizations do not have the capability to serve the widely varying needs. So the best option for an organization is to select customers whose needs can be matched with its capability to serve them.

If an organization tries to serve all customers, it is sure to have some of them dissatisfied. But if it has selected its customers carefully, it is possible for the organization to satisfy all of them completely.



It is very important to study consumer behaviour because companies rely on their satisfied customers to return to repurchase and recommend the company's offerings to others. In this way, the goal of marketing, which is to attract and retain customers through long-term satisfaction of their needs, is also met.

In today's economy, companies understand that a lot of money and efforts are required attract new customers whereas it is easier to retain the existing ones. Market-oriented companies work on this principle and build relationships with their existing customers and satisfy their needs. They attract new customers by building expectations and promising to provide value. New customers find the company's promise credible, as the company's existing and erstwhile customers vouch for it.

Marketing should be considered as a central business function as it establishes, develops and commercializes long-term customer relationships so that the objectives of both parties are met—customer needs are served and the company earns profits.

A company exists primarily to gain profit. This, it does by serving its customers to the best. Therefore, customers are the most powerful stakeholders of any company. It is the job of the marketer to keep the company's people, processes, and systems tuned to serve the most important stakeholder of the company. Customer interests must be paramount and should be protected in every decision that a company takes. Customer needs should be discovered and the organization should tune its processes to serve those needs truthfully. The management must believe that corporate goals can be achieved only through satisfied customers.

In addition to this, consumer behaviour is also important for the manufacturing department of the organization as the department designs and manufactures different types of product and services keeping in view the wants and needs of consumer.

The scope of consumer behaviour is based on how individuals make decisions. Consumer behaviour is rooted deep in the marketing concept, which is also known as production concept, product concept and selling concept.

The term consumer behaviour, generally, describes two diverse kinds of consuming entities: the personal consumer and the organizational consumer. The personal consumers are those who use goods and services for their own use or for the household requirements or as gifts. The end users or ultimate consumers are the ones who buy products for final use. The organizational consumer, however, includes profit-making and non-profit businesses, government agencies and institutions and all those who buy products, equipment and services to run their organizations.

Consumer behaviour is interdisciplinary; that is, it is based on concepts and theories in diverse disciplines as psychology, sociology, social psychology, cultural anthropology and economics.

A need is lack within a person that must be filled. A motive is known as an internal push that causes a person to act. Motives are based on needs. Businesses prefer to transform consumer needs and wants into buying motives. This is because a buying motive pushes a consumer to look for a product.

## **NOTES**

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### Limitations of consumer behaviour

The application of consumer behaviour has the following limitations:

- Consumer behaviour includes several concepts and theories in diverse disciplines such as psychology, sociology, social psychology, cultural anthropology and economics. Success of an organization depends on how well it understands all of these factors.
- Consumer behaviour implies satisfaction of consumer needs. Most organizations do not have the capability to serve such widely varying needs.
- Consumer behaviour integrates two factors—market segmentation and market mix. If an organization can select its customers carefully and is able to offer a wide offering of the market mix for the same product, it will be able to satisfy its consumers completely.
- In order to determine customer needs and to implement marketing strategies and programmes aimed at satisfying those needs, marketing managers need information. This implies that organizations need to be more aware and updated of the customer needs of its target market.

### 1.2.2 Applications of Consumer Behaviour in Marketing

Consumer behaviour has become an integral part of strategic market planning. The belief that ethics and social responsibility should also be integral components of every marketing decision is embodied in a revised marketing concept, which is the societal marketing concept. This concept calls on marketers to fulfil the needs of their target markets in ways that improve society as a whole.

#### Consumer research

It is crucial to have prior knowledge of customers as well as various aspects of the marketing environment affecting the operations of the firm. Only then can a marketing orientation be adopted. While marketing, the focus is on identifying, fulfilling and satisfying consumer requirements. Customer needs can be determined, and marketing strategies and programmes aimed at satisfying customer needs can be implemented, only if marketing managers possess relevant information. They have to know everything about the type of people who go for the company's offering, whether they value these offerings, and where do they purchase these products from.

Consumer research is an extension to marketing research. The findings yielded by consumer research help a business firm to properly understand how consumers behave in the market. Marketers come to know the different aspects of consumer behaviour, for example, the motives behind purchases, the cultural influences, awareness regarding brand, how they perceive brand image, how they decide to go in for a purchase and how they react to new launches or promotional activities. These allow the marketer to come up with marketing strategies that are suitable for their target audience.

Of late, several factors have contributed to the increase in the desire for additional and better information. As the scope of companies spreads nationally

and also internationally, there is a larger requirement for information. With consumers becoming richer and more sophisticated, marketing managers require enhanced information regarding the manner in which they receive the products and other marketing offerings. With competition getting tougher, managers have to know more about the level of efficacy of the marketing tools they employ. With more and more changes occurring in the environment rapidly, it is important for marketing managers to get information at the right time.

It is not right for the company to completely depend on the views of a manager alone. The company should also find out about the views of the customer before designing its marketing initiatives. This information can be got formally or informally. With the growth of the customer base, it is not enough to get information informally through casual discussions with the customers, sales personnel's reports or by observing activities in the competition's tents. The in-depth knowledge of the market required can only come through a more formal approach, such as data collection through questionnaires, which can be used to obtain information for the managers in a systematic manner.

Collection of data about customer needs is becoming more and more challenging. It is not easy to gather information about the behaviour and satisfaction level of customers through questionnaires and other structured methods. Organizations have increased the performance and quality of their products to such a level that most customers seem to be extremely pleased with the products they are using. They express this to the the interviewers or researchers. Such information is not really of great value because it is easily available even otherwise. The basis of sustainable differentiation should be customer information which difficult to get, exclusive and not easily available or accessible by all companies. Such customer information can be found out from the experiences of the customer; from the feelings of pleasure or frustration felt by them on using the product. Being subtle, it is not possible to capture these emotions through words. To gauge their emotions, customers should be observed in their natural settings. Differentiation can then be based on these emotions. Therefore, marketing research has no option but to explore other methods or techniques

### **Strategic planning**

Strategic planning is setting up an approach that a company decides to follow over a defined period of time. It can be for a specific part or department of the business, like planning a marketing strategy, or for the business as a whole. Usually an overall strategy for the business is worked upon by the senior employees of the company and then the distinct departments plan their strategy in alignment to the overall strategy. Differing businesses use various time periods for their strategic planning. The time period is usually dependent on how fast that particular industry is moving. For example in a fast-changing environment like the internet, a five-year plan would not work. In industries that change more slowly, longer range planning is possible and desirable.

Without a strategy, there will be no direction. Strategy tells you where you want to go. Without any strategy, the final results may not be what you desire. In fact, without a strategy, your chance of achieving your goals is quite diminished.

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Though strategic planning shouldn't be all that you do in your business, it should be an integral part of it. Every action should be in alignment with your strategy. Also, each employee should know the strategy so that he can contribute his best in making it happen. However, no strategy should be set in stone. It should be revisited and revised at regular intervals.

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### 1.3 CONSUMER BEHAVIOUR AND MARKET STRATEGY

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When trying to sell the same product to every prospect with a single advertising campaign, the marketer must portray its product as a means for satisfying a common or generic need, and often ends up appealing to no one. For example, a refrigerator may fulfil a widespread need to keep food cold, but a standard-size refrigerator may be too big for a dormitory room and too small for a family of six. Without market differentiation, both the bachelor and the family of six would have to make do with the very same model, and as well all know, 'making do' is a far cry from being satisfied.

The strategy of *segmentation* allows producers to avoid head on competition in the marketplace by differentiating their offerings, not just on the basis of price, but through styling, packaging, promotional appeal, and method of distribution. Marketers have found that the costs of segmentation—consumer research, shorter production runs, differentiated promotional campaign—are usually more than offset by increased sales. In most cases, consumers readily accept the passed through cost increased for products that more closely satisfy their specific needs.

Market segmentation is just the first step in a three-phase marketing strategy. After segmenting the market into homogenous clusters, the marketer then must select one or more segments to target with a specific product or promotional appeal. The third step is to position the product so that it is perceived by each target market as satisfying that markets needs better than other competitive offerings.

Today, nearly every product category in the consumer market is highly segmented. For instance, the billion dollar vitamins market is subdivided by age (children, young, adults, and elder), place of distribution (drug stores, supermarkets, health food stores mail order). Segmentation frequently provides the opportunity to expand a market by better satisfying the specific needs or wishes of particular consumers. Since segmentation strategies benefit both marketers and consumers, they have received wide support from both sides of the marketplace.

According to Yoarm Wind 'The development of a segmentation model requires one to specify a dependent variable which is the basis for segmentation. For example, usage or time of adoption and also a set of independent variables like age, occupation etc., describing specific market segments.'

#### Definition of Market Segmentation

According to Leon G. Schiffman, 'Market segmentation is the process of dividing a potential market into distinct subsets of consumers with common needs or

characteristics and selecting one or more segments to target with a distinct marketing mix.'

Stanton says, 'Marketing segmentation consists of taking the total, heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all segmentation aspects.' (William J. Stanton, '*Fundamentals of Marketing*')

Cundiff and Stillopines, 'Market segments are grouping of customers according to such characteristics as income, age, degree of urbanisation, race or ethnic classification, geographic location, or education. (Cundiff& Still, *Basic Marketing*)

It is very important for firms to take a multifaceted view of 'today's consumer' in orders to understand what actually drives the consumer behaviour. Today, the consumer is willing to buy more products and brands as compared to the consumers of yesteryears. Mapping of the market is very important to avoid miscalculations which may turn out to be too costly for the firm. Thus, market segmentation is the process of identifying a group of consumers with similar needs and producing a product that will meet those needs at a profit.

Before the adoption of the marketing concept, mass marketing—that is, -undifferentiated marketing where the same product and marketing mix is offered to all consumers—was the widely used marketing strategy. Marketing segmentation is followed as a more logical way to meet consumer needs. Besides aiding in the development of new products, segmentation studies assist in the redesign and repositioning of existing products and in the creation of promotional appeals and the selection of advertising media.

Different variables are used to segment consumer markets. The variables fall into two broad groups. Some researchers try to form segments by looking at consumer characteristics. They commonly use geographic, demographic, and psychographic characteristics. Then they examine whether their customer segments exhibit different needs or product responses. For example, they might examine the differing attitudes of 'professionals' 'blue collars', and other groups towards, say, 'safety' as a core benefit.

Other researchers try to form segments by looking at consumer responses to benefits sought, use occasions or brands. Once the segments are formed, the researcher sees whether different consumer characteristics are associated with each consumer-response segment. For example the researcher might examine whether people who want 'quality' versus 'low price' in buying an automobile differ in their geographic, demographic, and psychographic makeup.

There are eight major *categories of consumer characteristics* which serve as the most common bases for market segmentation. They are:

1. Geographic factors
2. Demographic factors
3. Psychological/Psychographic factors
4. Sociocultural variables
5. Use-related characteristics

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6. Use-situational factors
7. Benefits sought, and
8. Hybrid forms of segmentation

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Each segmentation is divided into specific variables. Table 1.3 shows the eight segmentation bases and the different variables with examples.

*Table 1.3: Market segmentation bases and selected variables*

Segmentation Base	Selected Segmentation Variables
<b>Geographic segmentation</b>	
Region	North, South, East, West
City size	Major metropolitan areas, small cities, towns
Density of area	Urban, suburban, (semi urban) rural
Climate	Hot, cold, warm
<b>Demographic segmentation</b>	
Age	Under 11, 12–17, 18–34 and so on
Sex	Male, female
Marital status	Single, married, divorced, living together, widowed
Family size	Upto 2 children, 3 to 4 children, 5 and above.
Income	Under ₹10,000, ₹20,000, ₹30,000 and so on
Education	Illiterate, able to read and write, high school, graduate, postgraduate or illiterate, semi literate, literate.
Occupation	Professional, blue collar, white collar, agricultural
Race	Brahman, Bania, Kayastha, Rajput, Bhumihaar etc.
Language	Hindi, Tamil, Telugu, Bengali, Panjabi etc.
<b>Psychological/psychographic segmentation</b>	
Needs-motivation	Shelter, safety, security, affection
Personality	Extroverts, introverts, aggressives, complaints
Perception	Low risk, moderate risk, high risk
Learning-involvement	Low involvement, high involvement
Attitudes	Positive attitude, negative attitude
Psychographic lifestyles	Straights, conservatives, swingers, status seekers
<b>Socio-cultural segmentation</b>	
Culture	Indian, Chinese, Japanese, English
Subculture:	Religion Hindu, Muslim, Christian
	Race/Ethnicity Caucasian, African, Oriental
Social Class	Lower, middle, upper
Family lifestyle	Bachelors, young married
Use related segmentation	

### Buyer behaviour

Usage rate	Heavy users, medium users, light users, nonusers
Awareness status	Unaware, aware, interested to try (enthusiastic), regular buyer
Brand loyalty	None, some, strong

### Use situational segmentation

Time	Leisure, work, rush, morning, night
Objective	Personal use, gift, fun, achievement
Location	Home, work, friend's home, in-store
Person	Self, friends, boss

**Benefit segmentation** Convenience, prestige, economy, value for the money

### Hybrid segmentation

Demographic/Psychographic profiles	Combination of demographic and psychographic characteristics
Geodemographics	Young suburbia
VALS2	Actualiser, fulfilled, believer, achiever, striver, experience, maker, struggler.

Source: Schiffman and Kanu, *Consumer Behaviour*

Important criteria for targeting market segments include identification, sufficiency, stability, and accessibility. Once an organisation has identified promising target markets, it must decide whether to pursue several segments (differentiated marketing) or just one segment (concentrated marketing). It then develops a positioning strategy for each targeted segment. In certain cases, a company might decide to follow a counter segmentation strategy in which it combines two or more segments.

### Geographic Segmentation

In geographic segmentation, the market is divided on the basis of location. In other words, markets are divided into different geographics units such as nations, states, regions, countries, cities, or neighbourhoods. The general notion is that people living in the same area have almost similar needs and wants, and that these needs and wants differ from those of people in other areas. The Company can decide to operate in one or a few geographic areas or operate in all but pay attention to local variations in geographic needs and preferences. For example, certain food products sell better in one region than in another. Some companies even subdivide major cities into smaller geographic areas.

Some marketing theorists and marketing practitioners believe that worldwide satellite television transmission and global communication network have erased all regional boundaries, and, therefore, geographic segmentation should be replaced by a single global marketing strategy. Other marketers are going in the opposite direction, and developing highly regionalised marketing strategies. For example, Campbell's soup has reorganised, its entire marketing operations by segmenting

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its domestic market in twenty two regions, each with its own advertising and promotion budget. Similarly, Coca Cola, which is known for its global advertising orientation, has also launched a number of micro-marketing campaigns.

Marketers have observed divergent consumer purchasing patterns among urban, suburban and rural areas. Convertible Sofas and small appliances are more likely to be bought by city apartment dwellers, suburban homeowners are better prospects for barbecue grills and home freezers.

Thus, geographic segmentation is a useful strategy for many marketers. It is relatively easy to find geographically-based differences for many products. In addition geographic segments can be easily reached through local media, including newspapers, T.V. and radio and through regional edition of magazines.

### Demographic Segmentation

Demographic characteristics, such as age, sex marital status, income, occupation, and education, are most often used as the basis for market. Demography refers to the vital and measurable statistics of a population. Demographic variables are the most popular bases for distinguishing customer groups. One reason is that consumer wants, preferences, and usage rates are often highly associated with demographic variables. Another is that demographic variables are easier to measure than most other types of variables.

The major disadvantage of demographic segmentation is that it tends to be one dimensional and does not differentiate among brands. Demographic variables are often used in combination to fine-tune a market segment, they are also used to form composite variables to measure such socio-cultural constructs as family life cycle and social class.

**Age and life-cycle stage:** Consumer wants and capacities change with age. Since product needs often vary with age, marketers have found age to be a particularly useful demographic variable to distinguish segments. Alabe Products, a toy manufacturer, realised this and designed different toys for babies as they move through various stages from three months to one year. Crib Jimmy is designed for babies when they begin to reach for things, Talky Rattle when they first grasp things, and so on. This segmentation strategy means that parents and fit buyers can more easily find the appropriate toy by considering the baby's age.

Further general foods applied age segmentation strategy to dog food. Many dog owners know that their dog's food needs change with age. So General Foods formulated four types of canned dog food: Cycle 1 for puppies, Cycle 2 for adult dogs, Cycle 3 for overweight dogs, and Cycle 4 for older dogs. General Foods managed to grab a large market share through the age-segmentation strategy.

Nevertheless, age and life cycle can be tricky variables. For example, the Ford Motor Company used buyer's ages in developing its target market for its Mustang automobiles; the Car was designed to appeal to young people who wanted an inexpensive sporty automobile. But Ford found that the car was being purchased by all age groups. It then realised that its target market was not the chronologically young but the psychologically young.



**Sex:** Gender has always been a distinguishing segmentation variable. Women have traditionally been the main users of such products as hair colouring and cosmetics, and men, the main users of tools and shaving preparations. But in recent years gender is no longer an accurate way to distinguish consumers in some product categories. For example, women are buying house hold repair tools and men have some significant users of skin care and hair products. Many ads reflect the expanded child nurturing roles of young fathers in today's society.

Further, women are the main influence or decision-makers for many products or services that the used by other family members. For example, women frequently purchase their husband's or son's underwear.

Much of the change in sex roles has occurred because of the continued growth in the number of working women. One consequence for marketers is that women are not so readily accessible through traditional media as they once were. Because working women do not have much time to watch TV or listen to the radio, many advertises now emphasise magazines in their media schedules, especially those specifically aimed at working women. Many product categories have been affected by the increased number of women in the work force. Women now are buying their own automobiles and fur coats, and men are doing supermarket shopping.

**Marital status:** Traditionally, the family has been the focus of most marketing efforts, and for many products and services, the household continues to be the relevant consuming unit. Marketers are integrated in the number and kinds of households that own and/or buy certain products. They are also interested in determining the demographic and media profiles of household decision-makers to develop appropriate marketing strategies.

**Income, education and occupation:** Marketers are generally interested in affluent consumers – and for good reason. The major problem with segmenting the market on the basis of income alone is that income simply indicates the ability (or inability) to pay for a product, while the actual choice may be based on personal life style, taste, and values-variable largely determine by occupation and education.

Education, occupation and income tend to be closely correlated in almost a cause-and-effect relationship. High level consumption—those that produce high themes—usually require advanced educational training. Individuals with little education rarely qualify for high level jobs. Because of the interrelationship among these three variables, education, occupation and income often are combined into a composite index of social class which better reflects values, attitudes, tastes, and lifestyle, for example, a doctor and a plumbing contractor earning the same income, but the different educational backgrounds, are likely to spend their money in different ways.

### **Psychographic Segmentation**

In psychographic segmentation, commonly referred to as type style analysis, buyers are divided into different groups on the basis of social class, lifestyle, and/or personality. People within the same demographic group co-exhibit very different psychographic profiles.

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Psychographic are often referred to as AIOs, for much psychographic researcher focuses on the measurement of activities (i.e. how the consumer or family spends time—e.g. working vacationing, liking); interacts (the consumer's or family's preferences and priorities—e.g. home fashion, food) and opinions (how the consumer feels about a wide variety of events and issues—e.g. politics, social issues, the state of education, the future).

In psychographic research study, consumers usually are asked to reveal their personal or their family's reaction to a variety of statements. For example, if Gillette decided to evaluate the target market for its successful Sensor razor in terms of psychographic characteristics, it might use the following statements to capture individual and family predisposition towards the Sensor razor system.

### ***Personal statements:***

- I'm a demanding person
- For me, seeking perfection in what I do is really not important.
- When I wake up in the morning, my appearance is uppermost on my mind.
- When it comes to the way I dress, I'm not particularly fashion.

### ***Family Statements***

- 'Good' grooming is important to all members of my family.
- Members of my family frequently comment about how good I look after I shave. We are a particularly good-looking family. We are more likely to try new products than most of our friends and neighbours. I imagine that we buy and use more grooming products than other people we know.

### **Socio-Cultural Segmentation**

Sociological and anthropological variables, that is, *socio-cultural variables* provide further bases for market segmentation. For example, consumer markets have been successfully subdivided into segments on the basis of stage in family life cycle, social class, core cultural values, subcultural membership and cross-cultural affiliation.

***Family life cycle:*** Family life-cycle segmentation is based on the premise that many families pass through similar phases in their information, growth and final dissolution. At each phase, the family unit needs different products and product styles; young single people, for example, need basic furniture for their first apartment, while their parents, finally free of child rearing, often furnish their homes with more elaborate pieces. Family life cycle is a composite variable based explicitly on *marital* and *family status*, but implicitly including relative age, income, and employment status. Each of the stages in the family life cycle (i.e. Bachelor, honeymooners, parenthood, post-parenthood, and dissolution) represents an important target segment to a variety of marketers.

***Social class:*** Social class is particularly amenable to use as a market segmentation variables. It usually is 'measured' by a weighted index of several demographic variables, such as education, occupation and income. The concept of social class implies a hierarchy in which individuals in the same class generally have the same

degree of status, while members of other classes have either higher or lower status. Studies have shown that consumers in different social class vary in terms values, product preferences, and buying habits. Marketers regularly have used their knowledge of social class difference to appeal to specific segments.

**Culture, sub-culture and cross-culture:** Some marketers have found it useful to segment their domestic and international markets on the basis of cultural heritage, because members of the same culture tend to share the same values, beliefs and customs. Marketers who use culture segmentation stress specific, widely held cultural values which they hope consumers will identify. Cultural segmentation is particularly successful in international marketing, but in such instances, it is important for the marketer to understand fully the beliefs, values, and customs of the countries in which the product is marketed. (i.e., cross-cultural context).

Further, often a product is altered or reformulated for different cultural markets. For example Nestle, a Swiss Company that sells Coffee worldwide, makes a strong brew for the Italian market and a weaker coffee for US market. Sometime it is merely custom that divides cultural segments. Greeting cards, sold without verses in Europe, usually are sold with verses in the United States.

It is not as though a given market can be segmented only in one of the ways mentioned above. Customer characteristics usually involve a large number of variables. Therefore, a market can be segmented using a succession of bases chosen from the broad category mentioned above. For example, a given market can be segmented using the geographical base in the first instance, followed by the psychographical base or buyer behaviour base. In fact, the aim should be to go as deep as possible in segmenting the market so that the most attractive and relevant segments suited for the given product and the given company can be chosen out of the total market.

The various bases for segmenting markets have underscored the need to understand consumers. Each segmentation approaches merit, and although not all have exhibited the ability to predict consumers' purchasing habits, they do enable marketers to understand their target markets better.

#### **Check Your Progress**

1. What is the significance of consumer behaviour in marketing?
2. What are the three different stages of a marketing strategy?
3. Name the eight major categories of consumer characteristics which serve as the most common bases for market segmentation.
4. How are buyers segmented in psychographic segmentation?

## **1.4 CONSUMER INVOLVEMENT AND DECISION MAKING**

Let us study about the involvement of consumers in the decision-making process with respective to purchase of goods and services.

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### 1.4.1 Buyer Roles

When an individual consumer makes a purchase, he unilaterally decides what he would purchase and how. But, groups like households also make purchases, and in such buying processes, members of the group influence the purchase decision in many ways, and at different stages in the buying process. Members assume specific roles as the buying process proceeds and they interact actively to make the purchase decision.

### 1.4.2 Initiator

The initiator feels the need for the product, and therefore, he starts the purchase process. He may also initiate the search for information about the purchase decision on his own or by involving others.

For instance, a teenager may act as an initiator for a motorcycle that he wants for commuting, a housewife may feel the need for a higher capacity refrigerator or a busy executive may feel the need for apparel that is comfortable and stylish.

### 1.4.3 Influencer

The influencers attempt to persuade others in the decision-making process to influence the outcome of the decision making process. Influencers gather information, and they use that information to guide the decision-making process. They also try to impose their choice criteria on the decision makers. These influencers may be sought out by the initiator, or may supply relevant information on their own. Influencers may be a part of the reference group of the initiator, experts in the particular categories, retailers or other such individuals from whom information is sought.

For the teenager, his friends, family members and retailers could act as influencers. For the housewife, influencers could be her husband, children, friends or retailers; and for the executive, influencers can be other colleagues in his organization, his contemporaries in other organizations, his friends in other firms, etc. Influencers vary in the extent to which they can change or persuade players in the decision making process. The teenager may consider his friends to be more important in suggesting what brands to buy or what features to evaluate before buying, than his parents.

### 1.4.4 Payer

The payer is the individual with the power or/and financial authority to purchase the product. The payer is usually presumed to have a large influencing power on the product purchase as the spending power lies with him.

For the teenager's decision-making process, he could be the payer if he has sufficient money; else some elder in the family can be the payer. In case the payer is his father or an older sibling, he may be more obligated to listen to their suggestions than his friends. In the case of the refrigerator buying decision, the husband could be the payer. In case of the executive, he himself shells out the payment.

### 1.4.5 Decider

The decider is the person who makes the ultimate choice regarding which product to buy. This may be the initiator or the payer or the user, depending on the dynamics of the decision making process.

The teenager himself may be the decider, or the ultimate decision could be taken by the payer (and the teenager may have to compromise). In case of the housewife, she or her husband could be the decider. In both these decisions, much depends on the interplay of the various players involved in the decision making process. The husband and wife can jointly negotiate which refrigerator to buy if both have an equal say in the buying process. In case of the executive, he plays multiple roles of being an initiator, payer, decider, buyer and user.

### 1.4.6 Buyer

The buyer conducts the transaction. He visits stores, makes payments and effects delivery. Usually, the buyer is the only player whom the marketer can see being involved in the decision making process. Merely interviewing him about the purchase does not serve the purpose of the marketer who wants to explore the consumer decision-making process, as at the time of purchase all other evaluations have been completed, which have involved several other players as well. The importance of these players is crucial in deciding the relevant marketing mixes.

The teenager may purchase the bike alone, with friends or with family members. The housewife is likely to purchase the refrigerator from the retailer with her family, while the busy executive may shop alone or with friends or family.

### 1.4.7 User

He is the actual user/consumer of the product. The user may or may not be the initiator. The product can be used by an individual or a group.

The teenager and the housewife are the dominant users of the products that they have bought, but the products can be used by other members of the family as well.

Some points need to be noted in the decision-making process for consumers:

- **One person may assume multiple roles in the decision-making process:** Depending on the product to be purchased, all the roles may be assumed by the same person. This is likely to occur in case of low-involvement products such as a pen. In high involvement categories, there is a clear separation of buyer roles.
- **Roles differ according to the product type being bought:** Women's role has been found to be stronger for household products. Respective roles may change according to product categories, and as purchasing process progresses. In a group decision-making process, such as in household decision-making, members collaborate to make the purchase decision. In such a joint decision-making process, different members play different roles at different stages, depending on their competencies and also their influence. The group may allow a member to dominate a

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particular stage because of some special competencies that he might possess. For example, a younger member of the group might be asked to evaluate brands of laptops on the basis of relevant choice criteria, as he is more technology savvy than others. But, as soon as he has presented his evaluation, the decision-making process becomes collective once again, and the other members in the group start influencing the purchase process. The final purchase decision is almost always taken jointly. Joint decision-making prevails in dual-income households. The same consumer assumes different roles depending on the product in question. For instance, a child in the family plays multiple roles in purchasing clothes for himself, whereas he may have an insignificant role in the purchase of refrigerator for the family though he may exert strong influence on some decisions like choosing the colour of the refrigerator. Marketers have to understand the dynamics of group decision making. It is important to gauge who is the dominant influencer in the decision-making process and what type of roles are played by various players. In the refrigerator purchase, for instance, while the husband may be the payer and the wife the primary user, the child may play a part in deciding the brand or the colour of the refrigerator to be bought. Families try to minimize disagreements by additional search for information, family discussions and delegation of responsibility to the most knowledgeable family member.

- **When roles within families change, their roles in the buying process also change:** Families are more democratic now and all the powers are no longer vested in the head of the family, usually the eldest male member of the family. In dual-income families, women are actively involved in the buying process for most categories of products and dominate several decisions. Teenagers are dominating the buying process of technology and fashion products, and children are influencing the buying process of most categories of products in the family. Teenagers have become big spenders, and though children's role as spenders is still limited, they exert tremendous influence on the buying process of most categories of products due to their pester power.
- **More people are involved in the purchase of high involvement products:** The product is expensive, and hence carries high perceived risk. Since the product would be bought again only after a long time, members want to ensure that they buy the right brand. Therefore, a lot of information is sought from several sources to enable the group to make the right choice. A high involvement product is evaluated on the basis of several choice criteria, and the evaluation is more stringent. Therefore, joint decision making of high involvement product is lengthy. Each member wants to buy the brand which is good according to his choice criteria. Thus, conflicts and compromises are inevitable before the household settles on a brand.

The group solicits opinions of experts to limit the influence of powerful members of the group. A member may try to exploit his ties with other members to

get his way. Emotions may run high when a household is making a purchase decision, especially when the user and payer differ in their choice.

It is important for a company to understand the roles played by members while purchasing its products. It should target its communication at influencers and deciders. It should also know their choice criteria, so that the product is differentiated along the preferred criteria, and the company is able to communicate that its product is good on their choice criteria. It should also keep track of how roles within a group are changing.

It is extremely important to identify the criteria used by the influencer and the decider to make the decision. The features and functions that are an important part of the decision criteria will have to be exaggerated in the product and they have to feature prominently in the communications of the company. The way the buyer purchases, should influence the distribution strategy of the company. The company should make buying easy and convenient for the buyer so that the buyer endorses the choice of the decider enthusiastically.

### 1.4.8 The Buying Situation

Customers spend different amount of time and effort in different purchase decisions. The level of involvement of the customer depends on the type of product, the level of perceived risk, the consumer spend and the purchase consequences.

#### 1. Extended Problem Solving

The customer spends a huge amount of time and effort in the decision making process. Extended problem solving involves high degree of information search, close examination of alternative solutions using many choice criteria. It is important to make the right choice since cognitive dissonance is very high if the correct decision is not made.

Three conditions primarily characterize extended problem solving situation: (i) Alternatives are differentiated and numerous (ii) There is high involvement in the purchase situation – purchase is personally relevant and important (iii) All alternatives may possess desirable features that others do not have. If alternatives are perceived as similar, then less time is required in assessment.

A customer will evaluate alternatives rigorously if the product's possession affects his self-image. A customer has a view of himself, which he regularly reinforces by the choice of products that he buys. Similarly, other people evaluate him by the products that he possesses. Therefore, a customer is very vigilant when he is buying a conspicuous product, because social acceptance and appreciation is dependent on his buying the right product.

A customer's involvement in a purchase is high if the perceived risk of buying a wrong product is high. Risk is high when the product is expensive and is bought infrequently. A customer also faces social and psychological risks, especially when he is buying a conspicuous product.

When the product provides pleasure, as is the case with a holiday package, the customer ensures that everything is to his liking, and that nothing should distract

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him from the pleasure that he is seeking. This is also true when a customer is planning a celebration.

In extended problem solving situation, a customer will not make a decision until he has evaluated all his options. A company should enable customers to evaluate its product by providing them detailed information about its products and those of its competitors. Advertising and sales force can provide such information and it must be aimed at appropriate motivations of various target segments. It can also enable him to try its product as well as those of its competitors.

### **2. Limited Problem Solving**

The customer has bought and used the product earlier, and he recollects his experience with the product from his memory. He will buy the product if his experience with the product has been good, but he may also make some external search and evaluation of any new features and benefits. Since the customer is likely to buy the product that he has bought earlier, other companies have to motivate the customer to start the search and evaluation process from the beginning. Marketers can change the attitudes of consumers towards low involvement products by adding beliefs or changing their importance. They have to add unexpected features and benefits to move the customer away from buying the product that he has been buying. The customer needs to sit up and consider if he is missing something very important by continuing to buy the same product – cooking oil doing good to the heart.

### **3. Habitual Problem Solving**

The customer buys the same product without even considering the alternatives. He is extremely satisfied with the product, or does not consider the product important enough to warrant his spending time in a new search and evaluation process. If the incumbent company continues to advertise and be visible, the customer will continue to believe that he is making the right choice. The outsider company has to advertise profusely, and be seen and heard everywhere. It also has to provide lucrative incentives, which may induce the customer to try the new brand. It is a difficult game, because most of the time, it means beating cult brands.

### **4. Household Decision-making Process**

The household is one of the most important social groups that exerts influence on individual decision making. The extent of these influences depends on the stage of the family life cycle as this determines the kind of decisions its members make. The demographic factors of age, marital status and the presence of children in the family play a major role in shaping individual and joint purchase behaviour. Marketers and advertisers can use the information on the family life cycle to develop strategies that conform to the unique needs and circumstances of their target markets. As the demographic structures of the society change, the family life cycle itself may need to be modified as new types of family forms appear. As families change, marketers get opportunities to develop new products and reposition old ones.



The family also acts as one of the most important reference groups for individual consumers. Discussions about products, brands and choice criteria occur often among family members. Many products also involve joint decision making among the members of a household. The desires, attitudes, incomes, cultural background and personalities of family members play a crucial role in the overall outcome of a particular decision.

Children learn various norms of consumption from family members first, making them the most important primary reference group. The specific culture, subculture and social class that a family belongs to, influences and shapes an individual's behaviour as a consumer for life.

Different members of the family play varying consumer roles depending on the type of decision making that is involved. Dynamics of group decision making apply in case of a purchase decision by a household unit. The differences in the influence of members usually stems from the type of product to be purchased. For instance, for groceries, the wife is the predominant influencer and buyer, while for financial products, it is the chief male member of the family and for a bike, a teenage kid in the family has a predominant say. However, with changes in the family structure, such stereotypes are undergoing a change. Role reversals or role sharing is becoming more common. The role of wives in buying cars, or planning investments, and the role of husbands in buying groceries cannot be underestimated. And kids are becoming more influential even for high involvement products such as cars, planning vacations, consumer durables etc., besides becoming independent in taking decisions for products that are meant for their self-consumption. Therefore, marketers need to give careful consideration to the dynamics of the household decision making process while assessing the role of each member in this group.

You will learn about the process of decision making and information processing in the next unit.

#### **Check Your Progress**

5. What is the role of the 'payer' in the final purchase of the product?
6. How do you define habitual problem-solving?

### **1.5 ANSWERS TO 'CHECK YOUR PROGRESS'**

1. Consumer behaviour is important as it is the essence of marketing. It helps the marketer to provide the desired value to customers. To understand each customer and be able to satisfy all his needs in a market is not possible as the needs vary a lot. Most of the organizations do not have the capability to serve the widely varying needs. So the best option for an organization is to select customers whose needs can be matched with its capability to serve them.
2. Market segmentation is just the first step in a three-phase marketing strategy. After segmenting the market into homogenous clusters, the marketer then

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must select one or more segments to target with a specific product or promotional appeal. The third step is to position the product so that it is perceived by each target market as satisfying that market's needs better than other competitive offerings.

3. There are eight major *categories of consumer characteristics* which serve as the most common bases for market segmentation. They are:
  1. Geographic factors
  2. Demographic factors
  3. Psychological/Psychographic factors
  4. Sociocultural variables
  5. Use-related characteristics
  6. Use-situational factors
  7. Benefits sought, and
  8. Hybrid forms of segmentation
4. In psychographic segmentation, commonly referred to as type style analysis, buyers are divided into different groups on the basis of social class, lifestyle, and/or personality. People within the same demographic group co-exhibit very different psychographic profiles.
5. The payer is the individual with the power or/and financial authority to purchase the product. The payer is usually presumed to have a large influencing power on the product purchase as the spending power lies with him.
6. In habitual problem-solving, the customer buys the same product without even considering the alternatives. He is extremely satisfied with the product, or does not consider the product important enough to warrant his spending time in a new search and evaluation process. If the incumbent company continues to advertise and be visible, the customer will continue to believe that he is making the right choice.

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## 1.6 SUMMARY

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- As a subject or field of study, consumer behaviour has its roots in the concept of marketing, which evolved in the 1950s and presented many alternative approaches to business.
- Successful firms rely on their satisfied customers to return to make more purchases and recommend the company's offerings to others. Therefore, the aim of marketing is to allure and retain customers through long-term satisfaction of their needs.
- Marketers need to communicate formally and informally with people in other departments in their organization more often.
- Market-driven businesses analyse competitors' objectives and strategies, and predict competitive actions. They make strategies to counter moves of competitors and when they initiate actions they always feature in competitors' probable reactions to them.

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- Intensive competition connotes that firms need to be alert to the dynamics of customer needs and competitor moves. Market-driven companies are sensitive, fast and flexible to be able to respond to changes in the market. Consumer behaviour is defined as the behaviour that a consumer displays in searching for purchasing, using, evaluating and disposing of products and services that he expects will satisfy his needs.
- It is very important to study consumer behaviour because companies rely on their satisfied customers to return to repurchase and recommend the company's offerings to others. In this way, the goal of marketing, which is to attract and retain customers through long-term satisfaction of their needs, is also met.
- The term consumer behaviour, generally, describes two diverse kinds of consuming entities: the personal consumer and the organizational consumer.
- Consumer behaviour has become an integral part of strategic market planning. The belief that ethics and social responsibility should also be integral components of every marketing decision is embodied in a revised marketing concept, which is the societal marketing concept.
- When trying to sell the same product to every prospect with a single advertising campaign, the marketer must portray its product as a means for satisfying a common or generic need, and often ends up appealing to no one.
- According to Leon G. Schiffman, 'Market segmentation is the process of dividing a potential market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix.'
- In geographic segmentation, the market is divided on the basis of location. In other words, markets are divided into different geographics units such as nations, states, regions, countries, cities, or neighbourhoods.
- Demographic characteristics, such as age, sex marital status, income, occupation, and education, are most often used as the basis for market. Demography refers to the vital and measurable statistics of a population.
- In psychographic segmentation, commonly referred to as type style analysis, buyers are divided into different groups on the basis of social class, lifestyle, and/or personality. People within the same demographic group co-exhibit very different psychographic profiles.
- The initiator feels the need for the product, and therefore, he starts the purchase process. He may also initiate the search for information about the purchase decision on his own or by involving others.
- The decider is the person who makes the ultimate choice regarding which product to buy. This may be the initiator or the payer or the user, depending on the dynamics of the decision making process.
- Customers spend different amount of time and effort in different purchase decisions. The level of involvement of the customer depends on the type of

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product, the level of perceived risk, the consumer spend and the purchase consequences.

- The customer has bought and used the product earlier, and he recollects his experience with the product from his memory. He will buy the product if his experience with the product has been good, but he may also make some external search and evaluation of any new features and benefits.
- Children learn various norms of consumption from family members first, making them the most important primary reference group. The specific culture, subculture and social class that a family belongs to, influences and shapes an individual's behaviour as a consumer for life.

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## 1.7 KEY TERMS

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- **Consumer Behaviour:** It is defined as the behaviour that a consumer displays in searching for purchasing, using, evaluating and disposing of products and services that he expects will satisfy his needs.
- **Strategic planning:** It is setting up an approach that a company decides to follow over a defined period of time. It can be for a specific part or department of the business, like planning a marketing strategy, or for the business as a whole.
- **Demography:** It refers to the vital and measurable statistics of a population.
- **Social class:** It implies a hierarchy in which individuals in the same class generally have the same degree of status, while members of other classes have either higher or lower status.

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## 1.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. What is the most important characteristic of marketing?
2. Why is it necessary for the marketing department to communicate with its customers?
3. Write a short note on the importance of consumer behaviour.
4. List the limitations of consumer behaviour.
5. What are the essential variables of socio-cultural segmentation?

### Long-Answer Questions

1. Companies know that attracting new customers is a much costly affair than retaining existing ones.' Do you agree with this statement? Give reasons for your answer.
2. Discuss the application of consumer behaviour in marketing.
3. What is the role of segmentation in the marketing strategy of a product?

4. Explain the concept of 'geographic segmentation' with the help of examples.
5. Explain the role of consumer in the final purchase of the product.

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## **1.9 FURTHER READING**

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## **NOTES**

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# UNIT 2 INFORMATION PROCESS, CONSUMER MOTIVATION AND PERCEPTION

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## NOTES

### Structure

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Information Processing: Information Search Process, Evaluative Criteria and Decision Rules
  - 2.2.1 Problem Recognition
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  - 2.2.3 Evaluation of Alternatives
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- 2.3 Consumer Motivation
  - 2.3.1 Needs and Goals
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  - 2.4.2 Consumer Imagery and Perceived Risk, Quality, Price
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- 2.6 Summary
- 2.7 Key Terms
- 2.8 Self-Assessment Questions and Exercises
- 2.9 Further Reading

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## 2.0 INTRODUCTION

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The behaviour of a consumer is determined by many factors. These are called determinants of consumer behaviour. There are three factors that are responsible for determining the consumer behaviour. These are economic determinants, psychological determinants and sociological determinants. Personal income of an individual and his family income come under this category. The social status of a consumer is also an important determinant.

Needs and wants are the basis of all modern marketing. Human need is the key to the survival, profitability and growth of an organization in a competitive environment. Organizations always look to succeed in satisfying the unfulfilled needs of the consumer better and sooner than their competitors. The marketer can also make the customers aware of their unmet needs and may succeed in converting these unmet needs into real needs through promotional mix. Thus, need is a motivating factor that makes people buy. This is one of the important individual determinants.

In this unit, you will study about the stages of the consumer buying process, and the role of consumer perception and consumer motivation in the purchase of a product.

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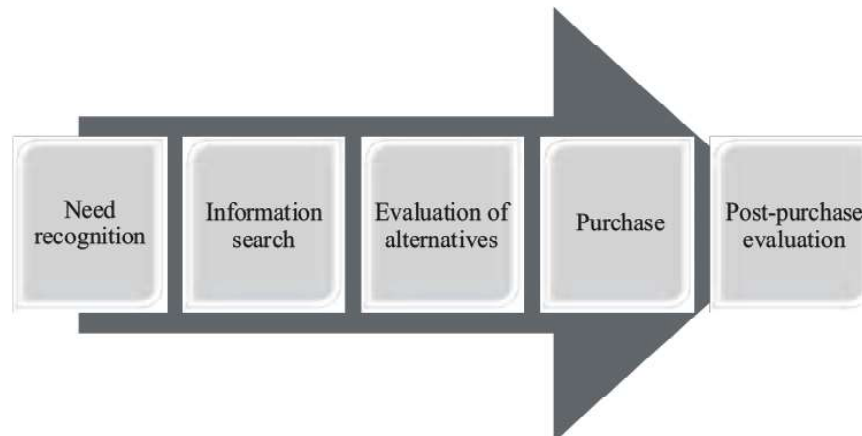
### 2.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the consumer-buying process
- Discuss the relevance of consumer perception in the purchase of a product
- Analyse the significance of consumer motivation in the buying process

### 2.2 INFORMATION PROCESSING: INFORMATION SEARCH PROCESS, EVALUATIVE CRITERIA AND DECISION RULES

The buying process is divided into various stages – need recognition, information search, evaluation of alternatives, purchase and post-purchase evaluation of decisions.<sup>1</sup>



*Fig. 2.1 Consumer Buying Process*

#### 2.2.1 Problem Recognition

The decision-making process begins with the decision maker recognizing that a problem exists.

- The problem may be functional like a slow computer or a small house. The marketer will have to communicate the new level of function or benefit of the product in an exaggerated way so that the customer feels at a disadvantage owning the current product. The marketer will also have to emphasize the importance of the function so that the customer feels uncomfortable not possessing the new product which can perform the function.



- The recognition of the problem may take place over a period of time. For instance, the need for a larger house may be realized by a family over many years.
- The problem recognition may occur as a result of routine depletion, for instance, petrol for the car, or other such regular requirements in a household.
- Unpredictable problems, for instance, breakdown of car.
- The problem recognition may be initiated by emotional or psychological needs, for instance, status.

An individual may have several problems or needs at the same time. But he may not get around to solving all these needs at once. Consumers tend to prioritize needs. The degree to which the consumer intends to resolve the problem depends on several factors – for instance, the magnitude of discrepancy between the desired and present situation, and the relative importance of the problem.<sup>2</sup>

- **The magnitude of discrepancy between desired and present situation is important.** A consumer may perceive a problem, but if the gap between the current and desired state is small, he may not be motivated to seek a solution for the problem. An innovative product with decisive advantage over the existing ones will have to be provided to make such a customer uncomfortable with his existing state and make him adopt a better method of satisfying his need.
- **Relative importance of the problem that the customer is facing is important.** A customer may perceive a large discrepancy between his current and the desired situation, but some problems may be more important to solve. He will want to solve his most urgent problem before he shifts his attention to the less important ones. Therefore, he will live with the inconveniences of his situation and not seek a solution to it. The provider of the new solution will have to communicate the importance of the function itself. The customer has to be told that he is missing something important.
- **There may be need inhibitors which the consumer will have to overcome before he buys the product.**<sup>3</sup> A consumer may have realized the need for a car but he may be postponing the purchase because he does not know driving. The marketer will have to identify such inhibitors and try to eliminate them.

Marketers must be aware of the needs of customers and the problems that they face. If needs are known accurately, competitive advantage can be created by designing solutions that serve those needs accurately. This may be accomplished through marketing research, but increasingly marketers have to see and study the context of use of the product and be able to identify the latent needs of the customer.

Though needs pre-exist, it is important that marketers believe that they can arouse needs, or at least, get customers to reveal their latent needs. Advertisements depicting how the advertised product can change the life of its users can make consumers aware of their own unsavoury state of being. Advertisements should help consumers realize the discrepancy in their current state of being, and what

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they would be if they bought the advertised product. Advertisements can act as cues and stimulants to need arousal.

**2.2.2 Information Search**

The consumer, after recognizing the need for a product, searches for alternatives that may fulfill his needs, and evaluates these alternatives on the basis of various choice criteria.

- The consumer first conducts an internal search. Internal search involves retrieving relevant information from his memory. Internal search involves retrieving information about similar purchase decisions made earlier by the consumer, or information about the product received from personal or non-personal sources that was stored in the memory for future usage. Such information includes decisions about choice criteria, brands included in the consideration set, information received from reference groups or advertisements related to the product.
- In case the internal search for information is found to be insufficient, the consumer goes in for external search. External sources involve information collection from personal sources such as family, friends and non-personal or commercial sources such as advertisements, retailers and other media sources.
- Third party reports may provide unbiased information to consumers about a company and its offerings. Retailers and media reports by independent agencies are, therefore, particularly credible sources of information for consumers.
- Personal experience with the product is often necessary for evaluating the product. Consumers may seek limited trials of the product before buying, or may ask for demonstrations.
- The objective of information search is to build up an awareness set, which is an array of brands that may provide a solution to the problem.
- An advertisement is biased, but it prompts consumers to gather information about the advertised product from unbiased sources like press, existing users and reviews. They may also seek information about rival brands and make a judgment about the company's brand.
- Consumers go online to look for information, and the brand must appear on the first page of a search within its category. It must create content and links to engage online customers, and must post third-party reviews. Consumers click on display ads only if they offer discount, or they are close to buying.

**2.2.3 Evaluation of Alternatives**

PARAMETERS	HIGH INVOLVEMENT	LOW INVOLVEMENT
EXPENDITURE	Usually high	Usually low
RISK	High	Low
TIME AND EFFORT IN SEARCH	High	Low
CONSEQUENCE OF PURCHASE	Very important	Less important
INFORMATION REQUIRED	Lots	Less
TYPE OF BUY	Considerable evaluation before purchase	Routine purchase/Habitual buying

**Fig. 2.2** Difference between High Involvement and Low Involvement Level in Purchase

The awareness set has to be reduced to a smaller set of brands for serious consideration through screening. This smaller set is called the evolved set or the consideration set.

- The screening process reduces the choice to a few brands using choice criteria, which may be different from the choice criteria that the consumer will use in making the final choice. For example, a consumer may use technical specifications of a product as choice criteria at the screening stage, but finally choose the product on the basis of its design and aesthetics. Consumers use various types of rules while arriving at the set of possible brands that can be considered for purchase.
- Involvement is the degree of perceived relevance and personal importance accompanying a particular purchase decision<sup>4</sup>. In high involvement decisions, the consumer carries out extensive evaluations of the brands. High involvement purchases typically incur high expenditure or personal risks. The consumer spends more time and effort in arriving at the 'right' decision. The evaluation of choices is more stringent and the consumer uses many choice criteria on which to evaluate various brands.
- Low involvement products incur less expenditure and personal risk, and hence, the consumer spends less time and effort in such decisions. In such purchases, simple and lesser evaluative criteria are used. Consumers use simple choice tactics to reduce time and effort in buying the product rather than maximize consequences of the purchase.<sup>5</sup>
- In high involvement products, consumers evaluate the consequences of the purchase and what others will think about it. The attributes that are weighed heavily will influence the decision more strongly.
- Low involvement products are characterized by awareness, trial and repeat purchases. These products are not very expensive and are bought frequently. Therefore customers perceive less risk in their purchase. They do not conduct rigorous evaluation of alternatives. If customers are sufficiently knowledgeable about a product, they go out and buy it. Even if they are merely aware of the brand name, it may lead to purchase. Awareness precedes purchase and usage, and attitude formation usually comes after the purchase and usage of the product. Thus, if the product is good, consumers buy it again. And when customers continue to find a product useful, purchase of the product becomes habitual. They do not consciously think about the purchase or form any attitude about the product, but continue to buy it. Therefore, there is no attitude formation before purchase behaviour – awareness precedes behaviour and behaviour precedes attitude. The customer buys any one of the brands of the considered set and does not see much difference between them. Decision does not involve the consumer much, and he is likely to be satisfied with the product without much conscious deliberation about it.
- In high involvement situations, marketers should provide a good deal of information as the customer will need such information to evaluate the brands that he is considering. High levels of repetition of communication

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may not be needed<sup>6</sup>. Print media allows detailed and repeated scrutiny of information which is helpful when a customer is comparing brands. Communication should be able to focus on how the customers view the influence of important others on the brand choice. Salespeople should ensure that the customer is aware of the important attributes of the product and also ensure that he correctly evaluates their consequences.

- In low involvement purchase, attempting to gain top of the mind awareness through advertising and providing positive reinforcement like sales promotions to gain trial may be more important than providing information. The customer is not actively seeking information but is a passive receiver. So advertising messages should be short with small number of key points but with high repetition to enhance learning.<sup>7</sup> TV may be the best medium since it allows passive reception of messages.
- Consumers often go online to evaluate brands, but they do not often visit companies' websites. They visit Internet retailers like Amazon.com, where expert and customer ratings and product comparisons are available. Therefore, a company should ensure that positive ratings and comparisons of its products are available on such sites. They may also visit online communities, and a company should always track how its brand is discussed in these communities.

### **2.2.4 Purchase and Post-purchase Evaluation of Decision**

Once the customer has zeroed in on the right choice, he purchases the product. The product can be purchased from retail stores, online, ordered by telephone or purchased directly from the company. The purchase process itself involves several more decisions. It involves decisions about the place and mode of purchase, payment terms and conditions, delivery of the product, installment, training for usage of the product etc. Marketers can study each of these processes to discover sources of competitive advantage. Marketers can either conduct these activities themselves, or they may employ intermediaries to perform these tasks. For instance, the goods may be delivered by the retailer while engineers of the company may install the products and train the customer. In case of high involvement products, the purchase process may itself take a long time. It may stretch from a few days to a few months or longer. The marketer has to take particular care of the customer during this crucial period in their relationship.

After a customer has bought a product, he faces what is called cognitive dissonance – he is not sure if he has bought the right product. A customer feels uncertain about his choice because in the process of selecting a brand, he has rejected many other brands. The rejected brands have features and benefits that he likes, and therefore he keeps pondering if he would have been better off buying one of the rejected brands. A customer goes through cognitive dissonance because no single brand is superior to all other brands on all choice criteria, therefore whichever brand a customer buys, he will always find a brand which is better than the purchased brand on some choice criteria. Cognitive dissonance is higher when the purchase is expensive, and there are many alternatives, with each one offering benefits and features which the other does not, because the consumer has made

trade-offs. Cognitive dissonance is also high when the purchase is made infrequently, and when consumers face social and psychological risk, as they do when they buy a house or a car. A consumer faces social and psychological risks when people whose opinions count in his life evaluate him on the products he possesses. In such a situation, a consumer looks for evidence that he has bought the right product – asks people who have bought the same brand and revisits brand’s advertisements and brochures. Companies should make efforts to reduce customers’ cognitive dissonance by continuing to advertise, and by reassuring them through letters and visits that they have bought the right product. And the best away to ensure that the customer does not go through cognitive dissonance is to ensure that the brand gives superior performance on the choice criteria that are important to customers.

Customers relate their experience with the brand online. A company creates tools to remain engaged with its customers – Nike+ helps its buyers record and transmit their workout data.

### **Check Your Progress**

1. Name the different stages of the consumer buying process.
2. When does a customer experience cognitive dissonance?

## **2.3 CONSUMER MOTIVATION**

The driving force that thrusts people into action is called motivation. It is the outcome of being in a state of tension and exists so long as the need had not been fulfilled. Wants, needs and desires exist in every human being. The individual’s subconscious effort to minimize the need-triggered tension results in a type of behaviour that he or she thinks will fulfil the needs, thereby resulting in a more comfortable internal state.

The basic process of motivation involves the needs that inspire actions to accomplish goals of fulfilling a need or reducing a drive.

Personality constitutes the characteristics that decide how an individual will respond to his/her environment. By and large, personalities tend to be consistent. However, over time, personalities undergo transformations. A personality can also change under the influence of certain life altering events.

The process by which individuals choose, organize and interpret the various stimuli from the environment so as to get a clear picture of the events occurring around them is known as perception. Perception has strategic connotations for marketers because it plays a vital role in consumer’s decision-making process. Usually, perception of stimuli by the consumers occurs at a level higher than their conscious level. Sometimes, perception can occur at subliminal levels also though research claims that this is not true. Consumers look for stimuli which match their motives and expectations, while selecting the stimuli from an environment.

The following concepts characterize the principle of selective perception: perceptual blocking, selective exposure, perceptual defence and selective attention. In selective perception, the stimuli which are favourable to the consumer are perceived leaving the unwanted or unfavourable stimuli neglected.

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Interpretation of stimuli is usually distorted by influences such as first impressions, halo effects, physical appearances, stereotypes, irrelevant cues, and the tendency to jump to conclusions.

People have a preconceived notion of their image; similarly, they also have perceived images of various products. Thus, rather than the physical characteristics, the success of a product or service is dependent on how it is perceived by the customer, i.e., whether it matches the image perceived by the customer.

It was also observed that the marketability of services is more dependent on consumers' perception. This is because services are intangible, variable and perishable, besides being consumed as they are being produced. These factors in turn create marketing problems while positioning and promoting the products. Thus, in many instances, manufacturers were forced to reposition their products because they failed to match the consumers' perception of the products.

The factors which play a major role in the selection of a product by the consumers are intrinsic to the product and may be its shape, size, colour and flavour. Besides these primary factors, several secondary factors also play a role in product selection. These include price, brand image and store image. When there is no earlier exposure to a product or service, price serves as an indicator of quality to the customers. How a product is priced—very high, high or low—has a say on the consumers' perception, which in turn influences his decision-making regarding the purchase of the product.

Price assessments are made by the customers after considering both the external and internal reference prices. Uncertainty regarding the consequences of selecting a product gives rise to risk perception. Some of the most commonly perceived types of risks are physical, financial, functional, social, psychological and time related. Consumers try to minimize these risks by detailed information regarding the product, by choosing a popular brand and retailer and by seeking the most expensive brand. Moreover, they rely on pre-purchase trials and money-back guarantees offered along with new products.

Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Therefore, consumers' perceptions are more important to a marketer than their knowledge of objective reality. Understanding this information enables marketers to develop more effective advertisements.

### **2.3.1 Needs and Goals**

All types of behaviour are goal oriented. The outcome of a motivated behaviour is the achievement of a goal. Previous knowledge and thinking processes decide the direction or the form that behaviour will take. In other words, they decide the resultant goal. Goals are of two categories: Product-specific and generic goals. A generic goal can be said to be a general category of goal which could result in the fulfilment of a particular need; while a product-specific goal can be described as a specifically branded or labelled product which a person considers as a method to fulfil a need. Product-specific needs are many a times referred to as wants.

**Innate needs:** These are the needs which are present in an individual from the time he is born and remain throughout his lifetime. Such needs are physiological (biogenic) in nature. Those factors that are necessary for sustaining life, shelter, food, clothing and water are called innate needs.

**Acquired needs:** These are the needs which develop after birth and are usually psychological. They are also referred to as psychogenic, i.e., generated in one's psyche. Love, acceptance, esteem and self-fulfilment are examples of acquired needs. For every need, there are numerous different goals. Goals are selected by individuals on the basis of values, experiences, cultural norms and physical abilities. Individuals also select their goals keeping in mind how accessible the goal may be in the prevailing social and physical environment.

Depending on certain factors, needs and goals change; thus they are said to be interdependent. The following are the factors which influence a person's needs and goals:

- (i) The individual's physical ability
- (ii) Environment
- (iii) Interaction with other people
- (iv) Previous experience or knowledge

Decisions regarding a product, whether one would or would not like to own something, are perceived in terms of the articulation of an individual's self-image. A product that best matches a consumer's self-image has a greater probability of being chosen than one that does not.

Fulfilling needs is a never-ending process. As soon as an individual fulfils one need, other new, higher-order needs arise which must be satisfied.

Unfulfilment of goals usually results in feelings of frustration and helplessness. The two most popular methods of reacting to frustration are: 'fight' or 'flight'. People usually find a way around the hindrance to goal fulfilment or replace the goal with a suitable substitute. This is referred to as the method of 'fight'. In 'flight', the priority of the individual will be to defend or safeguard their self-esteem rather than fulfilling the need. Aggression, repression, projection, regression, rationalization, withdrawal, autism and identification are examples of defence mechanisms adopted by individuals when they are in the 'flight' mode.

It is difficult to come to a conclusion about a motive from consumer behaviour studies. This is because different individuals having varied needs may select the same goals for fulfilment; in other cases, individuals with similar needs select different goals for achieving their goals. Psychologists differ in their opinion regarding the needs priorities of different individuals; while most of them are of the opinion that different persons have different need priorities, others consider that most individuals experience the same basic needs, to which they allow a similar priority ranking.

Motivation can be described as the driving force within individuals that impels them to action. This driving force is produced by a state of tension, which exists as the result of an unfulfilled need. The specific courses of action that consumers pursue and their specific goals are selected on the basis of their thinking process and previous learning.

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### Relationship between needs and goals

Needs and goals are related to each other in the following manner.

- Needs and goals are interdependent—neither exists without the other.
- People are often not as aware of their needs as they are of their goals.
- Individuals are usually more aware of their physiological needs than they are of their psychological needs.

### 2.3.2 Positive and Negative Motivation

Motivation can be negative and positive. People can feel a driving force either towards an object or away from it.

Some psychologists refer to positive motivation as needs, wants or drives. They may refer to negative motivation as negative drives, fears and aversions. Some distinguish between needs and wants by calling wants product-specific needs.

Negative and positive motivational forces seem to differ considerably, particularly in terms of physical activity. Nonetheless, they are basically similar. They both initiate and maintain human behaviour.

There is no distinct demarcation between needs, wants and desires.

Goals can be either positive or negative. Since a positive goal is one towards which behaviour is directed, it is usually called an approach object. Likewise, since a negative goal is one from which behaviour is directed away, it is known as an avoidance object. Individuals get motivationally aroused by a threat to, or the removal of, behavioural freedom. This motivational state is called psychological reactance and is usually manifested by a negative consumer response.

### 2.3.3 Rational vs Emotional Motives

According to consumer behaviourists, the motives for choosing goals fall into two categories, rational and emotional. For them, rationality means that when choosing a product, consumers keep all alternatives in mind and choose the one that will provide them maximum utility. In the context of marketing it means that the customer will make a choice based on objective criteria. Examples of these criteria include price, size, weight, and so on. Emotional motives indicate choosing goals as per such subjective or personal criteria as status, pride, affection and fear. This assumption is based on the belief that emotional or subjective criterion does not derive maximum satisfaction or utility. At the same time, it is not unreasonable to consider that usually consumers choose those alternatives that according to them, serve to maximize their satisfaction.

Consumer researchers who advocate the positivist research perspective try to consider all types of consumer behaviour as rationally motivated. Hence, they try to separate the factors resulting in such behaviour, so as to enable them in predicting, and thereby influencing, future behaviour. Experientialists are often interested in studying the hedonistic pleasures that are provided by some types of consumption behaviour as sensuality, fun and fantasy. They study consumers for gaining knowledge and understanding how they behave in different and unique situations.



### **2.3.4 Dynamic Nature of Motivation**

Needs and goals are constantly growing and changing. They do not cease because goals and needs that exist are not completely satisfied. If needs have at all been fulfilled, they are replaced by newer ones that are higher in level.

- Needs are never completely satisfied. Most human needs are not fully or permanently satisfied.
- Temporary goal achievement does not lead to adequate satisfaction of the need. As needs are satisfied they are replaced by new ones. Some motivational theorists are of the opinion that a hierarchy of needs exists, which imply that fulfilment of lower-order needs leads to new, higher-order needs. Marketers should be attuned to changing needs. Success and failures influence goals.
- Researchers consider that the behaviour of an individual will be directed to a substitute goal when he fails in attaining a certain goal which he considers will fulfil a specific need. The goal that substitutes the main one may not be as satisfactory as the latter, but it will help in relieving the need-induced tension to some extent, thereby reducing the feeling of frustration. As discussed earlier, each individual's reaction to a frustrating situation is different. Adaptive people try to derive fulfilment by countering an obstacle or by choosing an alternate goal. Those who are not very adaptive feel that the fact that they are unable to derive personal fulfilment is a personal failure and hence, they face anxiety.
- Specific goals are often selected because they satisfy several needs. A proponent need is a triggering mechanism for need fulfilment.
- Needs and goals vary among individuals. It is difficult to infer motives from behaviour. People with different needs may seek fulfilment through selection of the same goals, although people with the same needs may seek fulfilment through different goals.

#### **Defence mechanisms**

- People who cannot cope with frustration often mentally redefine the frustrating situation in order to protect their self-image and defend their self-esteem. These reactions are known as defence mechanisms.
- Reaction to the frustration of not being able to reach goal attainment can take many forms, such as aggression, rationalization, regression, withdrawal, projection, autism, identification and repression.
- Marketers often consider the protection of self-esteem by consumers when selecting advertising appeals. The ads (appeals) often portray a person resolving a particular frustration through the use of the advertised product.

### **2.3.5 Arousal of Motives**

The specific needs of an individual remain dormant most of the time. At any point of time, the internal stimuli due to the individual's physiological condition, emotional or cognitive processes or external stimulus may cause arousal of a specific set of needs.

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**Physiological arousal:** This type of arousal occurs due to bodily needs, and is based on a person's physiological condition at a particular moment.

Almost all physiological cues are involuntary, regulated by the brain and nervous system; but it should be kept in mind that they arouse related needs which result in tensions that lead to restlessness until the needs are fulfilled.

**Emotional arousal:** Sometimes, thinking or daydreaming leads to arousal of latent or dormant needs. This may result in uncomfortable tensions and restlessness which 'thrust' them towards a type of behaviour which is goal-oriented.

**Cognitive arousal:** Sometimes, random thoughts or personal achievement result in cognitive awareness of needs.

### **Environmental arousal**

The set of needs which is activated at a specific point of time is usually determined by specific signals arising from the environment. Individuals who exist in an environment that is highly varied and complex usually experience many favourable circumstances which result in the arousal of needs. However, when people live in a poor or deprived environment, fewer needs are activated. According to the behaviourist school, motivation is considered as a mechanical process, and behaviour is considered to be the response to a stimulus, while ignoring the elements of conscious thought.

According to the cognitive school, all types of behaviour are directed towards fulfilment of goals. Past experiences and needs are analysed, classified and changed into attitudes and beliefs which function as predispositions to behaviour.

### **2.3.6 Types and Systems of Needs**

Most human needs differ from each other in their content and length. Although there are very few or no disagreements regarding particular types of physiological needs, significant amount of disagreement exists regarding particular types of psychological or psychogenic needs. According to Henry Murray, there are twenty-eight different types of psychogenic needs, which in turn serve as fundamental constructs for a whole lot of popular personality tests. Basic needs according to Murray are constituted of numerous motives which are considered to play an important role in consumer behaviour. Some of these motives are acquisition, achievement, recognition and exhibition.

#### **Maslow's theory of motivation**

Dr Abraham Maslow primarily theorized about human motivation. His theory has been widely accepted by practitioners of management. According to Maslow's theory human needs can be divided into five fundamental levels. These can also be ranked as per the order of their importance from the low-level biogenic needs to the high-level psychogenic needs.

According to Maslow's theory, an individual could have the following motivations:

- Physiological needs like hunger and thirst
- Safety needs like accidents and ill health

- Belongingness and love
- Self-esteem and status
- Self-actualization

The motives determine the choice criteria. For instance, a customer who is driven by esteem and status motive may use self-image as a key choice criteria when buying a car.

Different consumers have varying motivations while buying the same product. Therefore, the choice criteria of various consumer segments differ, and the marketers must choose the most relevant motivating factor while positioning their product. For instance, some consumers may buy food for satisfying hunger, while some may frequent a fast food joint to hang out with friends or family; others may enjoy gourmet food service provided by a leading luxury hotel. Each segment considers different motives while buying the same product. Therefore, while the segment that only wants to satisfy hunger may look for convenience or price, these factors may be inconsequential for the segment that wants gourmet food.

- **Physiological needs:** These are those items that are required to sustain biological life and include; food, water, air, shelter, clothing and sex. These are dominant when chronically unsatisfied.
- **Safety needs:** These needs are concerned with much more than physical safety. They include order, stability, routine, familiarity, control over one's life and environment, and certainty. Health is also a safety concern.
- **Social needs:** These needs relate to such things as love, affection, belonging and acceptance.
- **Egoistic needs:** These needs can be inward oriented or outward oriented. Inward- oriented ego needs portray a person's needs for success, self-esteem, self- acceptance, independence and personal satisfaction when a job is performed well. Outward-oriented ego needs are constituted by the need for recognition, prestige, status and reputation.
- **Need for self-actualization:** These refer to a person's desire to be that what his or her potential permits.

#### **An evaluation of the need hierarchy and marketing applications**

- The main disadvantage of Maslow's theory is that it cannot pass empirical tests; it is not possible to evaluate the precision of fulfilment of one need, before the subsequent higher need takes precedence.
- Maslow's hierarchy offers a useful, comprehensive framework for marketers trying to develop appropriate advertising appeals for their products.
- The hierarchy enables marketers to focus their advertising appeals on a need level that is likely to be shared by a large segment of the prospective audience.
- The hierarchy facilitates product positioning or repositioning.

Examples of needs that can be integrated into advertisements are the needs for achievement, power and affiliation.

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### Trio of needs theory

Many psychologists insist that there are three types of fundamental needs, namely the need for power, affiliation and achievement.

- **Power:** The need for power is a person's desire to control his environment. There are many people whose self-esteem improves by virtue of having exercised power over others.
- **Affiliation:** This need suggests that feeling of belonging influences individual behaviour. This also includes the desire for acceptance and friendship. Those who have a high need for affiliation are socially dependent on other people.
- **Achievement:** Persons who have a strong urge for fulfilment usually consider personal achievement as their ultimate goal. This need is intimately related to the self-actualization and egoistic need. Such people exhibit tremendous self-confidence. They also willingly take risks and welcome feedback. Monetary rewards form a mode of feedback for them as it indicates how well they have performed. Such people are usually more self-confident, enjoy taking calculated risks, actively analyse their surroundings, and value feedback. Monetary rewards enable an important type of feedback as to how they are performing. People with high achievement needs prefer situations in which they can take personal responsibility for finding solutions. Individuals with specific psychological needs tend to be receptive to advertising appeals directed at those needs. They also tend to be receptive to certain kinds of products. Knowledge of motivational theory provides marketers with additional bases on which to segment their markets.

Often, market segmentation is based on needs hierarchy. Different advertisements are meant to appeal to different need-segments. Successful positioning relies on finding a niche which has not been noticed by a competing brand or product.

### 2.3.7 Measurement of Motives

The measurement of motives is concerned with finding answers to the following questions: How are motives identified? What is the method of motive measurement? How do researchers understand which motives result in specific types of behaviour? It is difficult to find answers to such questions. For, as a construct, a motive is purely hypothetical. Being intangible, it cannot be observed, felt or smelled. This implies that no system of measurement can serve as a reliable index. Therefore, researchers tend to rely on a combination of qualitative research methods for establishing the presence and/or the strength of different motives.

The results of qualitative research techniques are largely dependent on the researcher. The researcher focuses not only on the data, but also on what the data can imply. Therefore, many consumer behaviourists are reluctant to rely on one technique alone.

By using, however, a combination of assessments (called *triangulation*) based on behavioural data (observation), subjective data (self reports) and qualitative data (projective tests, collage research, etc.), consumer researchers

feel more confident. The following three methods are frequently applied for identifying and evaluating people's motives: observation and inference, subjective reports and qualitative research (including projective techniques). The outcome of none of the methods can be considered separately. Researchers usually combine two or all the three methods together and then evaluate the presence of strength of consumer motives.

Motivational research is qualitative research developed to understand the level of awareness of a customer. Despite a few disadvantages, motivational research has been beneficial to marketers concerned with developing new ideas and new copy appeals.

Though some marketers are of the opinion that qualitative research does not result in solid figures which objectively 'prove' the point under consideration, others are convinced that qualitative techniques are more revealing than quantitative methods.

### **Motivational research**

Motivational research is a term generally used for referring to qualitative method developed for uncovering the end-user's subconscious or hidden motivation.

The basis for the development of motivational research was provided by the psychoanalytic theory of personality, developed by Freud. The theory is developed on the consideration that unconscious urge, especially biological and sexual drives, form the basis of human motivation and personality.

Dr Dichter adapted Freud's psychoanalytic techniques to the study of consumer buying habits. Before Dr Dichter, marketing research focused on what consumers did rather than why they did it. By the early 1960s, drawbacks to motivational research were noted. Because the qualitative research techniques are intense in nature, small samples are considered; thus, there was concern about making the results public. Moreover, marketers also realized that the evaluation of projective tests and in-depth interviews were highly subjective.

Three different research analysts who are provided with the same data might end up generating three different reports.

Other consumer theorists noted other contrarities in applying Freudian theory to the study of consumer behaviour. There are a number of research techniques that can be used to delve into the consumer's unconscious or hidden motivations.

### **Evaluation of motivational research**

- Despite these criticisms, motivational research is still regarded as an important tool by marketers who want to gain deeper insights into the whys of consumer behaviour than conventional marketing research techniques can yield.
- Motivational research's principal use today is in the development of new ideas for promotional campaigns, ideas that can penetrate the consumer's conscious awareness by appealing to unrecognized needs.

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- Motivational research also provides marketers with a basic orientation for new product categories, and enables them to explore consumer reactions to ideas and the advertising copy at an early stage to avoid costly errors.
- Despite the drawbacks of motivational research, there is new and compelling evidence that the unconscious is the site of a far larger portion of mental life than even Freud envisioned. Research studies show that the unconscious mind may understand and respond to non-verbal symbols, form emotional responses and guide actions largely independent of conscious awareness.

### Check Your Progress

3. What are the concepts characterize the principle of selective perception?
4. Define innate needs.

## 2.4 CONSUMER PERCEPTION

The process by which individuals choose, organize and interpret the various stimuli from the environment so as to get a clear picture of the events occurring around them is known as perception.

### Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package and a brand name). A stimulus can be defined as a unit of input to any of the senses. Skin, eyes, mouth, ears and nose, those that receive sensory inputs are the sensory receptors. The sensory inputs may be in the form of sight, sound, smell, taste or touch.

The experience of sensation by an individual is known as sensitivity. It is dependent on the quality of the person's sensory receptors as well as the intensity of the stimuli to which he is exposed. Sensation itself depends on energy change, the difference of input. Thus, a constant environment, whether very busy and noisy or relatively quiet, would provide little sensation because of the lack of change and the consistent level of stimulation. The capacity of a person to detect changes improves as the intensity and quantity of sensory input decreases. This ability of human beings to adapt themselves to different intensities of sensitivity as external conditions alter, not only shields him from destructive consequences, but also has important connotations for the marketers.

### The absolute threshold

Absolute threshold refers to the minimum level at which a person can sense or feel a stimulus. This can also be referred to as the point at which an individual can differentiate between the state of 'something' and the state of 'nothing'. Under conditions of constant stimulation, such as driving through a 'corridor' of billboards, the absolute threshold increases (that is, the senses tend to become increasingly dulled).

## **Adaptation**

The process of getting used to an idea or situation is commonly referred to as adaptation. Here, it might refer to particular sensations and becoming accustomed to a certain level of stimulation. One reason which makes many advertisers change their advertising campaigns regularly is sensory adaptation. Marketers try to increase the sensory input in order to cut through the daily clutter consumers experience in the consumption of advertising. Other advertisers try to attract attention by decreasing the sensory input. Some advertisers use silence (the absence of music or other audio effects) to generate attention. Some marketers seek unusual media in which they place their advertisements in an effort to gain attention. Some use scent researchers to enhance their products with a unique smell. Package designers try to determine the consumers' absolute thresholds to make sure that their new product designs will stand out from the competitors' packages on the retailers' shelves.

## **The differential threshold**

Differential threshold refers to the least variation which can be observed between any two stimuli. Differential threshold is also known as the just noticeable difference (JND). Ernst Heinrich Weber, the 19th century German physiologist, observed that the differential threshold between two different stimuli is not an infinite amount, but an amount whose intensity is influenced by that of the first stimulus. Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different. Also, an additional level of stimulus, equivalent to the JND, must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus. Weber's law holds for all senses and almost all levels of intensity.

Retailers use this principle in reducing prices. Markdowns must amount to at least 20 per cent to be noticed by shoppers.

## **Marketing applications of JND**

- Manufacturers and marketers strive to find out the suitable JND for their products so that:
  - o Negative changes, reductions or increases in the size or volume of product, or reduced quality, are not easily recognizable for the consumers.
  - o Product improvements are readily discernible by the consumer without being wastefully extravagant.
- Marketers use the JND to determine the amount of change or updating required in their products to avoid losing the readily recognized aspects of their products.
- To better compete in a global marketplace that has been radically altered by computer technology, many companies are updating their corporate logos to convey the notion that they are timely and fast-paced and at the top of their respective product class. Many feature some elements that convey motion—streaking, slashing and orbiting.

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- Although some companies make minor changes (below the JND) to promote continuity, others have deliberately changed their traditional block lettering and dark colours in favour of script typefaces, bright colours, and hints of animation—taking cues from pop icons like MTV.
- In order to emphasize or highlight the changes or improvements made to an original product, the marketers strive to satisfy or exceed the differential threshold value of the customers.

### Subliminal perception

People are also stimulated below their level of conscious awareness—they can perceive stimuli without being consciously aware of it. The threshold for conscious awareness appears to be higher than the absolute threshold for effective perception. Stimuli below the ‘limen’ of conscious awareness, too weak or brief to be consciously seen or heard, may be strong enough to be perceived by one or more receptor cells. This is subliminal perception.

Messages were supposedly meant for persuading people to buy goods and services without their being aware of it. The effectiveness of the concept was tested at a drive-in theatre by flashing the words ‘eat popcorn’ and ‘drink coke’ on the screen during the movie, so quickly that the audience was not aware of it. In a six-week test, the popcorn sales increased 58 per cent and the Coke sales 18 per cent. No scientific controls were used, and the results were never replicated.

### Evaluating the effectiveness of subliminal persuasion

There is no evidence that subliminal advertising works. The current research is based on two approaches:

- The first theory is that constant repetition of very weak stimuli will have incremental effects.
- A second approach is based on sexual stimulation through sexual embeds.

There is some indication that subliminal advertising may help modify antisocial behaviour by calling for generalized behaviour change. Subliminal perception refers to the state of mind of consumers, where they are stimulated not to their level of conscious awareness but to a level lower than it. Even though subliminal techniques do not have any persuasive effect on consumers’ decision-making, continuous exposure for a long period of time can influence their purchasing behaviour.

### 2.4.1 Dynamics of Perception

- Human beings receive different types of stimuli at every waking moment of their life. Perception is not a function of sensory input alone, rather, perception is the result of two various types of inputs that interact to form the personal pictures—the perceptions—which every person experiences.
- Physical stimuli from the outside environment, and internal stimuli based on expectations, motives, and learning are based on previous experiences.
- As any person is different from all others in his needs, wants, desires and expectations, it should be understood that his perceptions of stimuli will



also be different. The process of perception is characterized by the following three factors: selection, organization and interpretation of stimuli.

- o **Selection:** People are very choosy about the stimuli they recognize.
- o **Organization:** The recognized stimuli are then subconsciously arranged or organized on the basis of widely held psychological principles.
- o **Interpretation:** Individuals give meaning to the recognized and organized stimuli subjectively on the basis of their needs, expectations and previous experiences.

Besides the nature of the stimuli, two other key factors play a role in deciding the selection of stimuli. These factors include the consumer's earlier awareness of the stimulus. They also include the specific motives of the consumers at the time of selection. These two factors can either enhance or reduce the probability of selection of a particular stimulus.

### **The nature of the stimulus**

Marketing stimulus contains many variables. Examples include:

- Nature of the product
- Its physical attributes
- The package design
- The brand name
- The advertisements and commercials
- The position of a print ad or commercial
- The editorial environment
- Contrast—one of the most attention-compelling attributes of a stimulus
  - o Advertisers use extreme attention-getting devices to get maximum contrast and penetrate the consumer's perceptual screen.
  - o Advertisers use colour contrasts, size, etc., to create stopping power and gain attention.
- Packaging is also differentiated sufficiently to ensure rapid consumer perception.
- Sometimes advertisers capitalize on the lack of contrast. A technique that has been used effectively in television commercials is to position the commercial so close to the storyline of a programme that viewers are unaware they are watching an advertisement until they are well into it. Advertisers also run print ads (called advertorials) which are similar to editorial contents. Advertisers also come up with thirty-minute commercials, otherwise called infomercials, which resemble documentaries.

### ***Expectations***

People like to view what they expect to see. What they expect to see is usually based on familiarity, previous experience, or preconditioned set expectations. The stimuli that conflict sharply with expectations often receive more attention than

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those that conform to expectations. One easy method which advertisers usually resort to for gaining high attention involves using sex in advertisements. In most of these cases, what remains in the viewer's mind is the irrelevant sex part, rather than the product features or its brand name.

### ***Motives***

Human beings have the tendency to perceive stimuli which are important for them, in the process, ignoring the unrelated stimuli to a greater extent as the need becomes stronger. Thus, marketing managers give due consideration to consumers' needs while positioning their products.

*Selective perception:* The consumers select different stimuli from their surroundings on the basis of interaction of motives and needs.

*Selective exposure:* The end-users select those stimuli which send out pleasant messages or messages with which they are sympathetic. They try to consciously avoid messages which are painful.

*Selective attention:* Consumers have a heightened awareness of the stimuli that meet their needs or interests. Consumers have a lower awareness of stimuli irrelevant to their needs. Consumers differ in terms of the type of information which influence them as well as the form of message and type of medium.

*Perceptual defence:* Threatening or otherwise damaging stimuli are less likely to be perceived than are neutral stimuli. Individuals unconsciously may distort information that is not consistent with their needs, values and beliefs.

*Perceptual blocking:* Consumers screen out enormous amounts of advertising by simply 'tuning out'.

### **Perceptual organization**

It has been observed that those stimuli which are in contrast with their surroundings are easily taken note of by the consumers.

Gestalt psychology (Gestalt, in German, means pattern or configuration) is the name of the school of psychology that first developed the basic principles of perceptual organization. Three of the most basic principles of perceptual organization are figure and ground, grouping and closure.

### ***Figure and Ground***

Stimuli that contrast with their environment are more likely to be noticed. The simplest example is the contrast between a figure and the ground on which it is placed. The figure is usually perceived clearly. The ground is usually perceived as indefinite, hazy, and continuous. The figure is more clearly perceived because it appears to be dominant—the ground appears to be subordinate and less important. Advertisers usually plan their product advertisements with care so as to ensure that the required stimulus is seen as figure by the consumers and not as ground. Quite frequently, we find advertisements which have no clear-cut demarcation between the figure and ground.

### **Grouping**

Individuals tend to group stimuli in ‘chunks’ rather than as discrete bits of information. Grouping can be used advantageously by marketers to imply certain desired meanings in connection with their products. Most of us remember things like a telephone number because it can be broken into three ‘chunks’.

### **Closure**

Individuals have a need for closure. As a result, people form a perception so that they see a complete picture. If the consumers are exposed to a pattern which is incomplete, they try to perceive it as complete by filling in the missing pieces.

### **Perceptual interpretation**

Earlier knowledge or experience of a stimulus plays an important role in the interpretation of stimuli by an individual. Thus, perceptual interpretation of stimuli is uniquely individual. Stimuli are often highly ambiguous. When the stimuli are highly ambiguous, individuals usually take into account whether such stimuli satisfy their personal needs.

### **Perceptual distortion**

With respect to perceptual distortion, people are influenced by a number of stimuli which are likely to change their perceptions.

- *Physical appearances*: Individuals have the tendency to assign qualities of well-known people, i.e., people who are very familiar to them, to others who may resemble them. We usually find that attractive models are good at being persuasive at a much higher level than their less-attractive counterparts. Thus, good-looking models are more adept at influencing consumers’ purchasing behaviour.
- *Stereotypes*: People have the tendency to carry preset notion of different types of stimuli.
- *First impressions*: These tend to be lasting but formed while the perceiver does not know which stimuli are relevant, important or predictive.
- *Jumping to conclusions*: Most individuals have the tendency to draw a conclusion even before all the evidences and facts are scrutinized. Thus, as soon as they hear the beginning of an advertisement, they come to a conclusion which is usually wrong.
- *Halo effect*: Describes situations where the evaluation of an object or individual on numerous dimensions is dependent on scrutinizing just a couple of dimensions. Consumers often evaluate an entire product line on the basis of one product within the product line. Licensing also is based on the halo effect—associating products with a well-known celebrity or designer name.

## **2.4.2 Consumer Imagery and Perceived Risk, Quality, Price**

Consumers attempt to preserve or enhance their self-images by buying products they believe agree with that self-image and avoiding products that do not agree.

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This is called consumer imagery. Consumers tend to shop in stores that have images that agree with their own self-images.

### Product positioning

Positioning strategy (product positioning) is the essence of the marketing mix. The way a product is positioned explains the purpose of that product. It articulates how it will satisfy the customer needs. The marketer must create a distinctive product image in the mind of the consumer. How a product is positioned in the mind of the consumer is more important to the product's success than are the product's actual characteristics.

Marketers try to differentiate their products by stressing attributes they claim will fulfil the consumer's needs better than competing brands. If consumers depend on a particular brand image and make it as a reference point to make related decisions, it indicates successful positioning. The features that comprise positive brand loyalty include a willingness on the part of the consumer to search for a brand. This also indicates brand loyalty. An image of this kind generates the consumer's interest in future brand promotions. It also protects their consumers from being influenced by competitors.

Major positioning strategies include the following:

- Umbrella positioning—creating an overall image of the company around which a lot of products can be featured individually.
- Positioning against the competition.
- Positioning based on a specific benefit—effective depictions of a core product benefit often include memorable imagery.
- Finding an 'un-owned' position—finding a niche unfilled by other companies.
- Filling several positions—This is because unfilled gaps provide favourable circumstances for competitors. Thus, competitive marketers form numerous different offers, usually in the form of distinct brands, to fill different identified niches.

### Product repositioning

- The marketer finds himself repositioning a well-positioned product quite frequently. This may be due to vigorous competition from other competitive brands, resulting in the loss of a significant market share to the competitor.
- Instead of reducing the prices to meet the competition, most marketers resort to repositioning of the products; while doing so, brand attributes which had been earlier neglected are brought to the fore. Another important factor which impels marketers to reposition their well-positioned products is the ever-changing consumer preferences.

### Perceptual mapping

- Perceptual mapping allows marketers in finding out the relative position of their brand in consumers' image in comparison to the products offered by the competitors. In perceptual mapping one or more relevant product

characteristics are considered. Perceptual mapping helps the marketer to find out the gaps in the product positioning of all the brands in the market and also to find out the various areas where consumer expectations are not fulfilled.

### **Perceived price**

- Both purchase intentions as well as purchase satisfaction are strongly influenced by how an individual perceives a price.
- Perception of price unfairness—customers keep track of the prices paid by other persons (e.g., senior citizens, frequent fliers, affinity club members) for the same product.

Most customers are of the opinion that differential pricing strategies resorted to by most marketers are unfair for those who do not benefit from such strategies.

### **Reference prices**

- The price which consumers usually use as reference for comparing the prices of similar products marketed by different manufactures is known as the reference price. There are two types of reference prices, external and internal.
- Sometimes, an advertiser mentions a higher external reference price ('sold elsewhere at...') in an advertisement in which a lower sales price is being offered, to convince the consumer that the product being advertised is worth purchasing.
- Internal reference prices are those prices (or price ranges) taken by the consumer from memory.
- Internal reference points are thought to play a major role in consumers' evaluations and perceptions of value of an advertised (i.e., external) price deal, as well as in the believability of any advertised reference price.
- Acquisition-transaction utility theory-According to this, acquisition utility means the perceived economic gain or loss associated with a purchase, and is a function of product utility and purchase price.
- Transaction utility is determined from the difference between the internal reference price and the actual purchase price.
- It is concerned with the perceived pleasure or displeasure associated which results during the purchasing process.
- Three types of advertised reference prices have been found to affect the price perception by the customers. These reference prices include plausible low, plausible high and implausible high.
- It has been found that plausible low prices are within the range of acceptable market prices.
- Plausible high is close to the outer limits of the range, but well within believable limits.
- Implausible high is beyond the consumer's perceived range of acceptable market prices.

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An advertised reference price is considered as the accepted price if it is within a given consumer's perceived price range. Thus, it becomes plausible and thereby accepted. If the advertised reference point is outside the range of acceptable prices (i.e., implausible), it will be contrasted and thus will not be perceived as a valid reference point.

### **Tensile and objective price claims**

Price perceptions of consumers may be influenced by semantic cues, i.e., specific wording of the phrase which is used for putting price-related messages to the consumers.

Objective price claims provide a single discount level (e.g., 'save 25 per cent'). Tensile and objective price claims have a potentially greater effect on consumer shopping and on store traffic than a reference price advertisement that promotes a single product because of the broader range of merchandise covered by it.

Consumer evaluations and shopping intentions are least favourable for advertisements stating the minimum discount level ('save 10 per cent or more'). Advertisements that state a maximum discount level ('save up to 40 per cent') either equal or exceeding the effectiveness of ads stating a discount range ('save 10 to 40 per cent'). Consumer reactions to tensile price claims are influenced by the width of the discount range. A tensile claim that states the maximum level of savings has a more positive effect than the tensile claim that states the minimum level of savings or the entire savings range in the case of broad discount ranges. The reverse holds good for narrow discount ranges.

It is found that consumers are less sensitive to price while they make payments using credit cards than while they pay with cash. Similarly, those individuals who shop online tend to be less sensitive about prices than those who shop in stores.

### **Perceived quality**

Consumers usually assess the quality of a product (perceived quality) on the basis of a number of knowledge-based cues. Intrinsic cues are physical characteristics of the product itself, such as size, colour, flavour, or aroma. Extrinsic cues include price, store image, service environment, brand image, and promotional message.

#### ***Perceived quality of products***

Physical features of the product such as its size, colour, flavour, and so on constitute its intrinsic cues. Consumers like to think they base quality evaluations on intrinsic cues, but in reality, they are often unable to identify that product in a taste test. In the absence of actual experience with a product, consumers often evaluate quality on the basis of extrinsic cues, price, brand image, store image, etc. Many consumers use country-of-origin stereotypes for assessing products.

#### ***Perceived quality of services***

Assessing the quality of services is very tedious when compared to evaluating product quality. Service characteristics include—intangibility, variability, perishability, simultaneously produced and consumed. Unlike comparing products

of different brands, it is not easily possible to compare services offered by one marketer with that of another. Hence, customers put to use various surrogate cues while purchasing services. For ensuring consistent quality in their products, marketers offer products which are standardized. Consumption and production go hand-in-hand in the case of service. As a result, defective services are difficult to correct. Researchers have concluded that the service quality that a customer perceives is a function of the magnitude and the direction of the gap between the expected service and the customer's assessment of the service actually delivered. SERVQUAL measures the difference between the customers' expectations of services and the actual service which they receive. Various dimensions such as that of reliability, responsiveness, assurance and empathy influence these perceptions.

### **Price/quality relationship**

The perceived product value is the trade-off between a product's perceived benefits (or quality) and the perceived sacrifice needed for obtaining it. Numerous research studies have shown that for the consumers, price is an indication of product quality; whereas there are other research studies which suggest that consumers rely on a well-known brand as an indicator of product quality. Since price is often mistaken to be an important indicator of quality, products are often overpriced in order to emphasize their claims of quality.

Marketers have used the price/quality relationship to position their products as the top-quality offering in their product category. There is a positive relationship between price and quality. When consumers do not have adequate information about a product or when they do not feel very confident about their choices, they tend to use price as an indicator of quality.

### **Retail store image**

Retail stores have their own images that influence the perception of quality of the products they carry. Studies show consumers perceive stores with small discounts on numerous products as having lower-priced items than those stores which provide huge discounts on few products. Frequent advertising which offers numerous price specials reinforces consumer beliefs regarding the competitive nature of a store's prices. The downside of constant advertising of sale prices can be an unwanted change in store image.

A retail store's image is affected by the width of product assortment. The decision to select a specific retail outlet is influenced by the type of product which a consumer wishes to purchase. Hence, product evaluation by the consumer is usually influenced by the knowledge of where it was purchased.

### **Manufacturer's image**

Consumer imagery extends beyond perceived price and store image to the producers themselves. It has been observed that new products marketed by manufacturers who have a favourable image usually find ready acceptance among customers than those of their less-favourable counterparts. Studies have shown that pioneer brands (the first in a product category), induce favourable perceptions

## **NOTES**

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in the minds of customers even after the market is flooded with follower brands. Moreover, there exists a positive correlation between initial brand image and an individual's ideal self-image. This means that positive perceptions regarding pioneer brands result in positive purchase. Sometimes, products are launched in the market by larger, well-established companies under the pretext of some other smaller companies. This method known as stealth parentage gives the manufacturing company an image of an independent and non-conformist company, rather than as giant corporate entities.

### **Perceived risk**

Perceived risk is the uncertainty that consumers face when they cannot foresee the consequences of their purchase decision. The degree of risk that consumers perceive and their own tolerance for risk-taking are factors that influence their purchase strategies. Consumers are influenced by risks that they perceive, whether or not such risks actually exist. Risk that is not perceived will not influence consumer behaviour. Types of risk include: functional risk, physical risk, financial risk, social risk, psychological risk and time risk.

### ***Perception of risk varies***

The amount of risk perceived depends on the specific consumer. High-risk perceivers are narrow categorizers because they limit their choices. Low-risk perceivers are broad categorizers because they make their choice from a wide range of alternatives. Individual perception of risk varies by product category.

Consumers are likely to perceive a higher degree of risk in the purchase of a high definition television set (e.g., functional risk, financial risk, time risk) than in the purchase of an automobile. Researchers have identified product-specific perceived risk. One study found that consumers perceive service decisions to be riskier than product decisions, particularly in terms of social risk, physical risk and psychological risks. Perception of the degree of risk is also affected by the shopping situation.

### **How consumers handle risk**

A consumer handle risk in the following manner.

- Consumers seek information about products and product categories by word-of-mouth.
- They spend more time considering their decisions.
- Consumers are brand loyal. Consumers avoid risk by staying with a brand they know and are satisfied with. High-risk perceivers are the most brand-loyal. Consumers choose a product based on its brand image. In case the product is new to the customers, they trust a popular brand. It is a common belief among customers that purchasing products of popular brands assure quality.
- Consumers rely on store image. If consumers have no other information about a product, they judge it based on the store. The store image gives the connotation of product testing and assurance of service. Consumers



purchase the costliest model. When in doubt, consumers equate price with quality. Consumers, uncertain about a product choice, look for reassurance in the form of guarantees, tryouts, money-back offers, etc. The concept of perceived risk has major implications for the introduction of new products. Because high-risk perceivers are less likely to purchase new or innovative products than low-risk perceivers, it is important for marketers to provide such consumers with persuasive risk-reduction strategies.

## NOTES

### Check Your Progress

5. Define Differential threshold.
6. What is the objective of using perceptual mapping?

## 2.5 ANSWERS TO 'CHECK YOUR PROGRESS'

1. The different stages of the consumer buying process are:
  - i. Need recognition
  - ii. Information search
  - iii. Evaluation of alternatives
  - iv. Purchase
  - v. Post-purchase evaluation
2. After a customer has bought a product, he faces what is called cognitive dissonance – he is not sure if he has bought the right product. A customer feels uncertain about his choice because in the process of selecting a brand, he has rejected many other brands. The rejected brands have features and benefits that he likes, and therefore he keeps pondering if he would have been better off buying one of the rejected brands. A customer goes through cognitive dissonance because no single brand is superior to all other brands on all choice criteria, therefore whichever brand a customer buys, he will always find a brand which is better than the purchased brand on some choice criteria.
3. The following concepts characterize the principle of selective perception: perceptual blocking, selective exposure, perceptual defence and selective attention. In selective perception, the stimuli which are favourable to the consumer are perceived leaving the unwanted or unfavourable stimuli neglected.
4. Innate needs are the needs which are present in an individual from the time he is born and remain throughout his lifetime. Such needs are physiological (biogenic) in nature. Those factors that are necessary for sustaining life, shelter, food, clothing and water are called innate needs.
5. Differential threshold refers to the least variation which can be observed between any two stimuli. Differential threshold is also known as the just noticeable difference (JND). Ernst Heinrich Weber, the 19th century German physiologist, observed that the differential threshold between two different

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stimuli is not an infinite amount, but an amount whose intensity is influenced by that of the first stimulus.

6. Perceptual mapping allows marketers in finding out the relative position of their brand in consumers' image in comparison to the products offered by the competitors. In perceptual mapping one or more relevant product characteristics are considered. Perceptual mapping helps the marketer to find out the gaps in the product positioning of all the brands in the market and also to find out the various areas where consumer expectations are not fulfilled.

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## 2.6 SUMMARY

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- An individual may have several problems or needs at the same time. But he may not get around to solving all these needs at once. Consumers tend to prioritize needs.
- The consumer, after recognizing the need for a product, searches for alternatives that may fulfill his needs, and evaluates these alternatives on the basis of various choice criteria.
- The screening process reduces the choice to a few brands using choice criteria, which may be different from the choice criteria that the consumer will use in making the final choice.
- Once the customer has zeroed in on the right choice, he purchases the product. The product can be purchased from retail stores, online, ordered by telephone or purchased directly from the company. The purchase process itself involves several more decisions.
- Customers relate their experience with the brand online. A company creates tools to remain engaged with its customers – Nike+ helps its buyers record and transmit their workout data.
- The driving force that thrusts people into action is called motivation. It is the outcome of being in a state of tension and exists so long as the need had not been fulfilled. Wants, needs and desires exist in every human being.
- The following concepts characterize the principle of selective perception: perceptual blocking, selective exposure, perceptual defence and selective attention. In selective perception, the stimuli which are favourable to the consumer are perceived leaving the unwanted or unfavourable stimuli neglected.
- Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Therefore, consumers' perceptions are more important to a marketer than their knowledge of objective reality. Understanding this information enables marketers to develop more effective advertisements.
- Motivation can be described as the driving force within individuals that impels them to action. This driving force is produced by a state of tension, which exists as the result of an unfulfilled need. The specific courses of

action that consumers pursue and their specific goals are selected on the basis of their thinking process and previous learning.

- According to consumer behaviourists, the motives for choosing goals fall into two categories, rational and emotional. For them, rationality means that when choosing a product, consumers keep all alternatives in mind and choose the one that will provide them maximum utility.
- Needs and goals are constantly growing and changing. They do not cease because goals and needs that exist are not completely satisfied. If needs have at all been fulfilled, they are replaced by newer ones that are higher in level.
- The specific needs of an individual remain dormant most of the time. At any point of time, the internal stimuli due to the individual's physiological condition, emotional or cognitive processes or external stimulus may cause arousal of a specific set of needs.
- Most human needs differ from each other in their content and length. Although there are very few or no disagreements regarding particular types of physiological needs, significant amount of disagreement exists regarding particular types of psychological or psychogenic needs.
- The results of qualitative research techniques are largely dependent on the researcher. The researcher focuses not only on the data, but also on what the data can imply. Therefore, many consumer behaviourists are reluctant to rely on one technique alone.
- The process by which individuals choose, organize and interpret the various stimuli from the environment so as to get a clear picture of the events occurring around them is known as perception.
- Differential threshold refers to the least variation which can be observed between any two stimuli. Differential threshold is also known as the just noticeable difference (JND). Ernst Heinrich Weber, the 19th century German physiologist, observed that the differential threshold between two different stimuli is not an infinite amount, but an amount whose intensity is influenced by that of the first stimulus.
- People are also stimulated below their level of conscious awareness—they can perceive stimuli without being consciously aware of it.
- Human beings have the tendency to perceive stimuli which are important for them, in the process, ignoring the unrelated stimuli to a greater extent as the need becomes stronger. Thus, marketing managers give due consideration to consumers' needs while positioning their products.
- Consumers attempt to preserve or enhance their self-images by buying products they believe agree with that self-image and avoiding products that do not agree. This is called consumer imagery. Consumers tend to shop in stores that have images that agree with their own self-images.
- Price perceptions of consumers may be influenced by semantic cues, i.e., specific wording of the phrase which is used for putting price-related messages to the consumers.

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- Consumers usually assess the quality of a product (perceived quality) on the basis of a number of knowledge-based cues. Intrinsic cues are physical characteristics of the product itself, such as size, colour, flavour, or aroma. Extrinsic cues include price, store image, service environment, brand image, and promotional message.
- Marketers have used the price/quality relationship to position their products as the top-quality offering in their product category. There is a positive relationship between price and quality. When consumers do not have adequate information about a product or when they do not feel very confident about their choices, they tend to use price as an indicator of quality.
- The amount of risk perceived depends on the specific consumer. High-risk perceivers are narrow categorizers because they limit their choices. Low-risk perceivers are broad categorizers because they make their choice from a wide range of alternatives. Individual perception of risk varies by product category.

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## 2.7 KEY TERMS

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- **Motivation:** It is the driving force that thrusts people into action.
- **Perception:** It is the process by which individuals choose, organize and interpret the various stimuli from the environment so as to get a clear picture of the events occurring around them.
- **Stimulus:** It can be defined as a unit of input to any of the senses.
- **Sensation:** It is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package and a brand name).
- **Motivational research:** It is a term generally used for referring to qualitative method developed for uncovering the end-user's subconscious or hidden motivation.

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## 2.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. What is the difference between high involvement and low involvement in the purchase of a product?
2. Write a short note on post-purchase evaluation of decision by the consumer.
3. What are the factors which play an intrinsic role in the selection of a product by consumers?
4. How are needs and goals different?
5. How do consumers handle risk?

### Long-Answer Questions

1. Discuss the different stages of the consumer buying process.
2. Assess the significance of dynamic nature of motivation in the purchase of product.
3. Critically analyse Maslow's theory of motivation in the marketing context.
4. Explain the dynamics of consumer perception.
5. Discuss the role of product positioning in the marketing mix.

### NOTES

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## 2.9 FURTHER READING

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# UNIT 3 FACTORS INFLUENCING BUYING BEHAVIOUR OF CONSUMERS-I

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*Factors Influencing  
Buying Behaviour of  
Consumers-I*

## NOTES

### Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Consumer Attitude Change
  - 3.2.1 Structural Model of Attitude
  - 3.2.2 Attitude Formation and Change
- 3.3 Influence of Personality
  - 3.3.1 Theories of Personality
  - 3.3.2 Personality and Understanding Consumer Diversity
  - 3.3.3 Brand Personality
- 3.4 Self Concept on Buying Behaviour
- 3.5 Answers to 'Check Your Progress'
- 3.6 Summary
- 3.7 Key Terms
- 3.8 Self-Assessment Questions and Exercises
- 3.9 Further Reading

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## 3.0 INTRODUCTION

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In this unit, you get to study about the factors which influence and bring about a drastic change in the attitude formation of consumers while making a purchase. In this context, different models of attitude have been discussed in this unit. The next factor which influences consumer buying behaviour is the personality. Even personality gets influenced by several factors which deciding upon the purchase of a product. Again, few personality theories have been discussed which form an integral aspect of consumer behaviour study in the field of marketing. And lastly, the unit explains about the concept of self-image which again is constantly undergoing change in the dynamic contemporary scenario; and henceforth, influencing the consumer buying behaviour.

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## 3.1 OBJECTIVES

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After going through this unit, you will be able to:

- Identify the factors which influence change in consumer attitude formation
- Discuss the influence of personality on the consumer buying behaviour
- Explain the concept of self-image and its relevance in marketing

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## 3.2 CONSUMER ATTITUDE CHANGE

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Attitude is defined as a learned predisposition to behave in a consistently favourable or unfavourable manner towards a given object (for instance brand, company, technology, retailers, product or celebrity). An attitude is a person's liking or disliking towards a given object, and the reasons thereof.

The attitudes toward objects are dynamic, and are learned over a period of time. Therefore, each encounter of the consumer with the object either reinforces the existing attitude or forces him to re-evaluate it.

Consumers form attitudes about objects related to consumption for several reasons:

- It simplifies complex subjects.
- It protects self-esteem.
- It helps you in adjusting with the world.
- It allows you to express your fundamental values.

Following are the three main sources of attitudes:

- i. Direct exposure to objects and situations
- ii. Explicit and implicit guidance from others
- iii. Personality development

Marketing researchers need to conduct attitude research because attitudes cannot be observed.

Attitudes regarding a product are formed based on many points. These include direct marketing, word-of-mouth, the Internet, exposure to advertisements, etc.

Attitudes and behaviour are not synonymous. However, attitude does result from behaviour. Although attitudes are consistent, they are not permanent. They can change with time. One aim of marketing is to change the consumers' attitude towards a product or service.

Sometimes, behaviour and attitude are not consistent with each other due to circumstances. Since attitudes occur within specific situations, the manner in which they affect behaviour depends on the situation in which they occurred. In other words, some situations may impel consumers to behave in a manner that is not consistent with their attitude. Since one can easily mistake the relationship between attitude and behaviour, it is important to understand the circumstances in which certain types of behaviour occur.

### 3.2.1 Structural Model of Attitude

In the following sections, we will discuss the structural model of attitude.

#### Tricomponent Model of Attitude

Tricomponent Attitude Model accords that attitudes have three major components: cognition, affect and conation.



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**Cognitive component:** Cognitions refers to previous knowledge or experiences with or about an object. This previous knowledge/experience allows the consumer to form perceptions or beliefs about the product. This component comprises rational judgements, beliefs, and perceptions related to various aspects of the object. For instance, Amul butter has good taste, it is easily available, it is reasonably priced, etc.

**Affective component:** This component is based on buyer's emotion or approach. Explorers continuously consider these sentiments and thoughts as evaluative in nature. Emotionally-charged states, such as sadness and happiness, articulate affect-laden experiences. These states may enhance positive or negative experiences for the consumer. Consumer researchers try to measure this element using global evaluative measures. An emotional component relates to the object. For instance, Amul butter being an integral part of breakfast while growing up, or remembering good times that were enjoyed while eating it, etc.

**Behavioural component:** The possibility of a consumer behaving in a different way or act in a typical manner is considered by conation. The conative component might as well as think the real behaviour. Marketing and consumer research treats it as an articulation of the consumers' purchase intentions. The likelihood that a consumer will buy a particular product or that he will act in a certain way is assessed using the intention-to-buy scale. It refers to the intention or likelihood of acquiring the object when required. For instance, when buying butter next time, how likely is the customer to buy Amul butter?

- It is important to remember that any of the beliefs may or may not be factually accurate. But, these are beliefs held by the customer that he thinks are true.
- Also, cognitive and affective components of the attitude can be held for various parts of the object, though the affective component must be held for the entire object. This follows from the fact that the intention to buy must be for the entire object, not for parts of it.
- The more positive the cognitive and affective components of the attitude, the more likely is the customer to purchase or use the object. Therefore, attitudes are consistent with the types of behaviour.

### Multi-Attribute Attitude Models

The following are the multi-attribute attitude models:

1. **The attitude-toward-object model (Fishbein's Model):** According to this model, the evaluation of certain attributes and beliefs that are specific to a product and the presence or absence of these attributes determines the consumers' attitude toward the product or the brand itself. What the consumers will purchase is a function of how much they know, what they feel are the important features, and their awareness as to whether particular brands possess (or lack) these valued attributes.
2. **The attitude-toward-behaviour model:** Unlike other models, this model studies the attitude with which a consumer acts or behaves towards an object. It does not consider the consumer's attitude towards the object per

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se. This model is helpful in that it corresponds to a consumer's actual behaviour.

### 3. **Theory-of-reasoned-action model (The Extended Fishbein Model):**

Theory-of Reasoned-Action Model includes attitude workings in a lone configuration. It is made for making an improved prophecy and give better reasoning of demeanour. Exactly as the tricomponent model is, this model too incorporates a conative component, a cognitive component and an affective component. Nonetheless in terms of their arrangement, the pattern differs. Moreover, those subjective norms that have a tendency to exert an influence on an individual's intention to act need to be measured in order to understand the intention itself.

- Subjective norm could be analysed by understanding a buyer's emotions towards those he considers relevant. These may be his co-workers, family, roommates and friends. To a consumer, what these people think of his having committed an action is important and subjective norm studies this particular sentiment.
- Consumer researchers can identify the underlying factors that produce the subjective norm.
- This is accomplished by assessing the subject's desire to agree with whims of those that are relevant.

### 4. **Theory of trying-to-consume:** This theory is made for the cases wherein the result is uncertain, and it shows the consumer's efforts to consume. Sometimes, personal impediments or environmental impediments prevent the desired outcome. Lately explorers have enhanced this inquest by analysing that state of affairs wherein buyers avoid consuming, i.e., be unsuccessful in consuming. In such a situation, buyers fall short of seeing or at times generally are unaware of their choices. Consumers appear to make a conscious effort not to consume.

### 5. **Attitude-toward-the-ad models:** This model illustrates that on viewing an advertisement, a consumer forms many judgements and feelings. These in turn have a bearing on his attitude towards the advertisement and what the ad advertises. Ultimately, this attitude influences his attitude towards the brand itself. It appears that for a novel product (e.g., iPod), the consumer's attitude toward the advertisement has more powerful effect on brand behaviour and intention to purchase than for a familiar product (e.g., Walkman). This research highlights to the prominence of considering the nature of the attitude object in assessing the potential impact of advertising exposure. Consumer socialization (learning consumption skills from significant others such as family, friends) has also shown itself to be an important determinant of a consumer's attitudes toward advertising.

## Functional theory of attitudes

Attitudes can be classified into four functions:

- Utilitarian function
- Ego-defensive function

- Value-expressive function
- Knowledge function
- i. Utilitarian function:** Consumers usually view a commodity favourably if it has been valuable earlier. Marketers should emphasize its useful features and suggest such uses of the commodity which should not be too apparent.
- ii. Ego-defensive function:** These are products that are purchased by the consumers in order to boost their confidence and guard their self-image.
- iii. Value-expressive function:** Quite often, a consumer's personal values are articulated with the help of brands bought by them. Marketers try to relate their products with this significance.
- iv. Knowledge function:** It is very natural for a consumer to want to know the people they come in contact with and the products they buy. Often, strategies to position a product or brand are developed around this 'need to know.'

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### Measurement of attitudes

Attitudes, therefore, are the evaluations of objects—people, places, brands, products, organizations, and so on. Consumers evaluate in terms of their goodness, likeability, or desirability. It is easy to measure attitudes by getting consumers to rate statements such as the following:

Please check how you feel about ICICI Bank:

*I dislike ICICI bank very much. I like it very much.*

*Towards ICICI Bank, I feel unfavourably. I feel favourably.*

*My opinion about ICICI Bank is:* Negative Positive

Attitudes are held by consumers both in household and business markets. In household markets, many customers hold an attitude towards salespersons in general, and about specific companies. In business markets, business customers hold attitudes about their suppliers—both toward a class of vendors and toward specific vendors. For instance, a business customer might hold an unfavourable attitude towards off-shore companies or toward vendors as a group.

### Scales for measuring attitudes

Attitudes are generally measured by using scales. Each scale contains several items (sentences) and measures a specific aspect of an object whose attitude is being measured. Most scales act as indirect measures of various components (cognitive, affective or conative) of attitudes. Direct questions or probing may not reveal the true attitudes of the consumers towards objects such as brand image, corporate image, purchase intention, evaluation or acceptance of new products, store image, perceptions about salespersons etc.

The most commonly used scales for measuring attitudes are the Semantic Differential scale, the Thurstone scale and the Likert scale.

### Semantic differential scale

The way a consumer reacts to stimulus concepts and words is measured by the semantic differential (SD) scale. Ratings are done on bipolar scales which are

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defined by contrasting adjectives on either ends. A case of an SD scale: By and large, the location marked 0 is indicated 'neutral', 1 is marked 'slightly', 2 gets the position of 'quite', 3 is labelled 'extremely'. SD scale finds out the direction in which the focus of reaction is (for example rich versus poor) and its strength as well (insignificant through great). Characteristically, an individual is offered an article of significance, for example Bru (as a brand name) and is asked to give it a rating according to the scales fixed earlier. These ratings are united in many patterns for explaining and calculating the individual's thoughts.

A lot of fundamental thought are included in semantic differential methodology: The perfect way of securing information on how people react is bipolar adjective scale. By some alterations this method could be used on people from different walks of life and culture.

The evaluation on this scale has a propensity for being interrelated, and three general aspect of reaction relate to maximum disparity in ranking. The three aspects, named Evaluation, Potency and Activity (EPA), have been checked and analyzed in a lot of research.

A few of the measurements are just about chaste markings of EPA proportions; such as assessment of good or bad, potential between gutless-gutful, and quick-sluggish for work. By using some of the scales like this, someone could get, by a lot of economy, trustable knowledge of an individual's answer to something. Mostly a thought matched on a lot of different scales relates to a single one, and the results are analyzed for giving a single answer to all different measurements. Extent of an idea based on EPA dimension is termed as notion's outline.

Measurements by EPA are fine only when somebody notices emotional retort. EPA systems are most effective when it acts as being a multivariate approach. It's a common concept needed for all notion or ideas, and so it allows matching of similar response to different entities. EPA measurements contain plenty of commercials, messages, trade mark, know-how of consumers, typecast role, companies, tints, noise, figure and humans.

As per the semantic differential scale, one should be asked to rate a commodity, trademark, or partner on the pattern of a seven-point rating scale which had two bi-polar adjectives at both the ends. The following is an example of a semantic differential scale question.

Example:

Would you say our website is:

(1) (2) (3) (4) (5) (6) (7)

Very

Very Attractive

Unattractive

Unlike other rating scales such as the Likert scale, the semantic differential scale does not have a neutral or middle selection. A respondent must choose, to a certain extent, one or the other adjective.

Dissimilar to different rating scales for example Likert scale, semantic differential scale would not contain middle or neutral collection. A counter answerer might select, to a limited degree, solitary or additional adjectives.

### Thurstone scale

To measure the behaviour of customers diagonally this scale is used. This scale is effective by giving the individual a lot of facts about the subject which is being kept under check. The subjects are then questioned about whether they are in agreement or disagreements with the facts. Every fact is made in such a way that it shows the behaviour in a little altered manner.

In comparison, Likert scale has just a single fact and questions the participants about the ascent or descent about it. Such as, a Likert scale will ask 'kindly mark on the scale of 1 (yes) to 7 (no) the point: is it easy to use this software?' on parallel level thurstone scale will form this matter in different methods, such as:

- I found what I was looking for with difficulty.
- I liked that the software was so easy.
- There are many convenient features in the software.
- It was very confusing software.

It is necessary that the measurement must be made correct. Only then it would be able to opt from the points that individuals might answer to. The initial checking answerers analyse each point with regard to the limit to which they imitate the exact behaviour which needs to be analysed.

### Likert scale

Likert scale generally lets the samplers measure the scale to the extent to which they might accept or reject the given suggestion. Such as:

- I find this software easy to use.
- |                   |   |   |   |   |   |   |   |                |
|-------------------|---|---|---|---|---|---|---|----------------|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |
|-------------------|---|---|---|---|---|---|---|----------------|

This scale could be used for a seven or five-point scale. The centre point of it comes at a neutral attitude. A few alteration in this measurements questions the answerers to assess their behaviour on a four-point scale for deleting the probability that answerers could have an unbiased approach. Removal of midpoint makes it compulsory for them to give their partiality to one side or another. Basically on a likert scale outlook, options and subject related options are measured. These all scale help in understanding the affectionate and partial answers of the consumers.

The amount of dependability on thurstone and likert scale goes up as the item numbers increase. But simultaneously, a rise in the product numbers mean equivalent rise in the amount of time taken for finishing it. It might consecutively make the consumers loose interest. To the extent that fixing the product numbers is being talked about there is no consistent number. Only the difficulty and attitude's nature is reflected in the analyzing of numbers.

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### 3.2.2 Attitude Formation and Change

Change in the attitude of those customers that support market leaders can be brought about in the following ways:

- *Comparative advertising*: Identify the chief competitor. Explain to the prospective consumers how your product betters that of the market leader.
- *Emphasising brand attributes*: Draw the consumer's attention to all those attributes of the product which may be innovative and new. At times consumers are not familiar with all the features of a product in which case so this exercise becomes mandatory.
- *Adding new attributes*: This involves adding those attributes that have been hitherto ignored by other manufacturers.
- *Providing knowledge of alternatives*: This involves educating customers on critical data (features, prices, facts, etc.) related to all the product alternatives available in the market. This will enable the consumer to make an informed decision. It will also indicate that you are confident about your product.
- *Changing the relative value of attributes*: Time and again the market for a particular product is divided into segments. Each segment patronizes a particular brand and each brand provides different benefits and features. Such situations provide marketers with the opportunity to influence consumers to 'switch over' to their brands.

#### Changing affect

Changing affect is one way of changing the attitude of potential customers. But this may or may not ensure that the customers will also change their beliefs. This too involves two strategies. One is to couple the product with a similar stimulus. This is in line with the approach of classical conditioning. For instance, Marlboro cigarettes paired with a rugged man. Or a sleek car paired with an attractive woman. The other option is to make the ad such that people like it and hope that this appreciation for the ad will encourage them to purchase the product. Take the Pillsbury Doughboy as an example. The character does not impart much information about the product. Instead, it creates a fuzzy and warm image. Again although the aim of the Duracell bunny ads is to convince the viewers that Duracell batteries last longer, the chief focus is the cuddly bunny. Ultimately the amount of advertisement directly affects its reception by the consumers. Exposure effect created through large scale advertisements results in generating a tremendous liking for the product.

#### Changing behaviour

People like to believe in the rationality of their choices. Hence, once they begin to use a particular product, there is every chance that they will continue with it until someone convinces them to switch. Coupons and temporary discounts in prices is one way to encourage a 'switch over.' However there is a catch to this. There are customers who may 'switch over' to a brand purely for this reason. In which case, after the deal is over, they will either switch back to the brand they earlier patronized

or will switch to one which offers a better deal. A better way to encourage consumers to switch over to new brands is to try and get a better shelf space so that the visibility of the product is accentuated.

### Changing beliefs

Although the obvious way to bring about a change in the attitude of the consumer is by changing his beliefs, this can be an insurmountable task. Consumers have an inherent tendency to resist change. There are several approaches that can bring about a change in the customers' beliefs.

- *Change currently held beliefs:* Some beliefs are held very strongly. Therefore it becomes all the more difficult to change them. The profit made by the petroleum industry is a case in point. Commonly it was believed that the petroleum industry made high profits. This was of course an erroneous belief and the industry tried its best to convince the consumers otherwise, and failed. Similarly, even if a shampoo manufacturer tries to convince consumers that a daily head bath is not harmful, customers may not feel comfortable shampooing everyday. This is because it is a strongly held old wives' tail that shampooing daily can damage their hair shaft. It follows that changing strong beliefs, held over a long time, can be a daunting task.
- *Change the importance of beliefs:* There is no doubt that manufacturers of sugar and sugar products would like to decrease the importance of healthy teeth. However, these are some beliefs which if tampered with, can be challenged by any rational individual. For, no one can negate the importance of dental hygiene. Therefore it is pointless to even try to alter such fundamental beliefs. Alternately, a pharmacy company that manufactures vitamins may advertise the importance of iron supplements for women that are above a certain age. A suggestion of this kind will not be challenged by the viewers because it is already a commonly held belief which is being reinforced through the ad.
- *Add beliefs:* Consumers generally do not resist those beliefs that do not conflict with the ones already held. Thus a pharmacy company can advertise by suggesting that stress depletes vitamins. To the consumer, this will sound plausible and he will feel encouraged to buy vitamin supplements.
- *Change ideal:* Moreover, changing ideals is not an easy task. Very few companies have been able to achieve this. For instance consumers do not like to believe that age-defying creams cannot help much because ageing is a natural process which no cream or surgery can counter act.

### One-sided versus two-sided Appeals

It has been revealed by attitude research that consumer reaction is more favourable to those ads which either:

1. Accept the negative aspect of the sponsoring brand (for instance, the Volvo is a clumsy but a safe car
2. Accept the positive aspects of the competing brands (for instance, a competing departmental store has more variety but is poor in providing service).

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### The Elaboration Likelihood Model (ELM)

Consumers tend to carefully scrutinize claims in those situations that are important to them rather than in those that are not important. This suggestion has been made by ELM.

The aforementioned claim is based on the fact that products of low importance do not require elaboration. On the other hand those products which are significant (for instance a cough syrup) or expensive, require extensive elaboration. Moreover it is desirable that the person who makes the endorsement is compatible with the product. Thus Shah Rukh Khan can endorse Pepsi because one does not require any special qualification for it. On the other hand a renowned doctor will be successful for endorsing a medicine rather than athletic shoes. All of them can however effectively endorse chocolates.

#### Check Your Progress

1. What are the three main sources of attitudes?
2. Name the four main functions of attitudes.

### 3.3 INFLUENCE OF PERSONALITY

The characteristics that decide how an individual will respond to his/her environment constitute a personality. This definition emphasizes inner characteristics. These are those traits, factors, attributes and qualities that distinguish individuals from one another. The identification of specific personality characteristics associated with consumer behaviour has proven to be highly useful in the development of a firm's market segmentation strategies.

#### The nature of personality

In the study of personality, three distinct properties are of major importance:

- Personality reflects individual differences
- Personality is consistent and enduring
- Personality can change
  - i. Personality reflects individual differences:* An individual's personality is a unique combination of factors; no two individuals are exactly alike. Personality is a useful concept because it enables us to categorize consumers into different groups on the basis of a single trait or a few traits.
  - ii. Personality is consistent and enduring:* Marketers learn which personality characteristics influence specific consumer responses and attempt to appeal to relevant traits inherent in their target group. Even though an individual's personality may be consistent, the consumption behaviour often varies considerably because of psychological, sociocultural and environmental factors that affect behaviour.



- iii. *Personality can change*: An individual's personality may be altered by major life events, such as the birth of a child, the death of a loved one, a divorce, or a major career change. An individual's personality also changes as part of a gradual maturing process. Personality stereotypes may also change over time. There is a prediction, for example, that a *personality convergence* is occurring between men and women.

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### 3.3.1 Theories of Personality

Three theories of personality are prominent in the study of consumer behaviour:

- Freud's Psychoanalytic Theory
- Neo-Freudian Theory
- Trait Theory

#### Freud's psychoanalytic theory

The foundation for the study of motivational research has been provided by Freud's theory of psychoanalysis. The basic premise of this theory is that human drives are unconscious in nature, but they do serve to influence consumer behaviour.

Sigmund Freud's psychoanalytic theory of personality is the cornerstone of modern psychology. This theory was built on the premise that unconscious needs or drives, especially biological and sexual drives, are at the heart of human motivation and personality.

#### Id, superego and ego

- Id is the 'warehouse' of primitive and impulsive drives, such as thirst, hunger and sex, for which the individual seeks immediate satisfaction without concern for the specific means of that satisfaction.
- Superego is the individual's internal expression of society's moral and ethical codes of conduct. The superego's role is to see that the individual satisfies the needs in a socially acceptable fashion. The superego is a kind of 'brake' that restrains or inhibits the impulsive forces of the id.
- Ego is the individual's conscious control which functions as an internal monitor that attempts to balance the impulsive demands of the id and the sociocultural constraints of the superego.

Freud emphasized that an individual's personality is formed as he or she passes through a number of distinct stages of infant and childhood development. These distinct stages of infant and childhood development are: oral, anal, phallic, latent and genital stages. An adult's personality is determined by how well he or she deals with the crises that are experienced while passing through each of these stages.

#### Freudian theory and product personality

- Those stressing Freud's theory see that human drives are largely unconscious, and that consumers are primarily unaware of their true reasons for purchasing what they buy.

- These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality.

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### Neo-Freudian theory

Several of Freud's colleagues disagreed with his contention that personality is primarily instinctual and sexual in nature. They argued that social relations are fundamental to personality development. According to the Neo-Freudian theory, social relationships play an essential role not only in the formation of a personality, but also in its development.

In Alfred Adler's opinion, human beings wish to surmount feelings of inferiority. He viewed human beings as seeking to attain various rational goals, which he called the style of life, placing emphasis on the individual's efforts to overcome the feelings of inferiority.

Harry Stack Sullivan emphasized the desire to establish relationships that are rewarding. They therefore focus on reducing tensions.

Karen Horney is of the opinion that individuals attempt to overcome feelings that cause anxiety. She focused on the impact of child-parent relationships, especially the individual's desire to conquer feelings of anxiety. She further proposed three personality groups: compliant, aggressive and detached. Compliant individuals are those who move toward others—they desire to be loved, wanted and appreciated. Aggressive individuals move against others—they desire to excel and win admiration. Detached individuals move away from others—they desire independence, self-sufficiency and freedom from obligations.

A personality test based on the above (the CAD) has been developed and tested. It reveals a number of tentative relationships between scores and product and brand usage patterns. It is likely that many marketers have used some of these neo-Freudian theories intuitively.

### Trait theory

As a theory it departs from other approaches to personality measurement in a major way. Its basic postulate is that each person possesses inherent psychological traits. These traits include materialism, desire for novelty, innovativeness and the need for recognition. Specially-designed scales and personality inventories can measure these traits. Many researchers prefer to use personality inventories because these are easy to use and can be self-administered. Brands too have personalities. These include gender and 'human-like' traits. They help generate loyalty, response and preferences in the consumer.

Each individual perceives himself/herself in terms of a certain image. Often, consumers purchase products so as to extend or enhance their self-image. They even shop at stores that in their opinion conform to their perceived self-image. The Internet has enabled the creation of virtual personalities. Experiences in the chat rooms often cause consumers to explore alternative personalities.

### Types of traits measured include:

- Consumer innovativeness—The degree to which a person is receptive to experiences that are new

- Consumer materialism—The extent of a person’s attachment to possessions that are considered ‘worldly’
- Consumer ethnocentrism—The possibility that a consumer will reject products that are foreign made

Research has revealed that consumers make their choices based on their personalities.

### 3.3.2 Personality and Understanding Consumer Diversity

Marketers are interested in understanding how personality influences the consumption behaviour, because such knowledge enables them to better understand consumers, and to segment and target those consumers who are likely to respond positively to their product or service communications.

#### Consumer innovativeness

It is very important that the market innovators learn as much as they can about prospective consumers. These innovators are often crucial to the success of new products. One can differentiate between consumer innovators and consumer non-innovators on the basis of their personality traits. Other personality traits include:

- Dogmatism
- Social character
- Need for uniqueness
- Optimum stimulation level
- Variety-novelty seeking
- **Dogmatism:** This is a personality trait whereby people displaying it exhibit considerable rigidity towards traits which are contrary to their beliefs. People who are not dogmatic are more open to new products. Consumers high in dogmatism are more accepting of authority-based advertisements for new products.
- **Social character:** Personality trait that ranges from the inner-directed to the other- directed is called social character. Those consumers who are inner-directed evaluate new product based on their inner values. Similarly, those consumers who are other- directed are not innovators and therefore, look for direction. They prefer advertisements that feature social environment and social acceptance.
- **Need for uniqueness:** Some consumers always seek to be unique. These people avoid conformity.
- **Optimum stimulation level:** Some people prefer a simple, uncluttered and calm existence, whereas others seem to prefer an environment crammed with novel, complex and unusual experiences. Persons with optimum stimulation levels (OSLs) are willing to take risks, try new products, be innovative, seek purchase-related information and accept new retail facilities. The correspondence between an individual’s OSL and his actual circumstances has a direct relationship to the amount of stimulation that he

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desires. If the two are equivalent, they tend to be satisfied. If bored, they are under stimulated, and vice versa.

- **Variety-novelty seeking:** This is similar to OSL. The most common type of consumers are variety or novelty seeking. There appears to be many different types of variety- seeking behaviour, such as exploratory purchase behaviour (e.g., switching brands to experience new and possibly better alternatives), vicarious exploration (e.g., where the consumer secures information about a new or different alternative and then contemplates or even daydreams about the option), and use innovativeness (e.g., where the consumer uses an already adopted product in a new or novel way). The third form of variety or novelty seeking—use innovativeness—is particularly relevant to technological products.

Consumers with high variety-seeking scores might also be attracted to brands that claim to have novel or multiple uses or applications. Marketers, up to a point, benefit from thinking in terms of offering additional options to consumers seeking more product varieties. Ultimately, marketers must walk the fine line between offering consumers too little and too much choice.

### **Cognitive personality factors**

Market researchers want to understand how cognitive personality influences consumer behaviour. Two cognitive personality traits have been useful in understanding various selected aspects of consumer behaviour. They are: need for cognition; and visualizers versus verbalizers.

**Need for cognition:** This is the measurement of a person's craving for or enjoyment of thinking. Products that provide a lot of product-related information attract those consumers who have a tremendous need for cognition. They are also more responsive to cool colours.

The consumers who do not have a tremendous need for cognition are more attracted to an advertisements background. They spend more time on the print content and have much stronger brand recall. The need for cognition seems to play a role in an individual's use of the Internet.

**Visualizers versus verbalizers:** Those consumers who favour visual information are known as visualizers. Verbalizers are consumers who prefer written or verbal information and products that stress the verbal. This distinction helps marketers know whether to stress visual or written elements in their ads.

### **Consumer materialism**

Materialism is a trait of people who feel their possessions are essential to their identity. Such people are self-centred. They love to acquire and show off possessions.

### **Consumer ethnocentrism: Responses to foreign-made products**

To identify consumer segments receptive to foreign-made products, researchers have developed and tested the consumer ethnocentrism scale—CETSCALE. CETSCALE results identify the consumers with a predisposition to reject or accept

foreign-made products. Consumers who are highly ethnocentric feel that it is wrong to purchase foreign-made products because it would hurt the domestic economy. Non-ethnocentric consumers are those who objectively evaluate products that are foreign made. Marketers can appeal to ethnocentric consumers by stressing nationalistic themes in their promotional efforts.

### **3.3.3 Brand Personality**

Brands too have personalities. The way a brand presents itself defines its brand personality. These include gender and ‘human-like’ traits. Consumer research explores brand personality by asking questions about the effect the product/brand will have were it to come to life. For instance, Dabur is personified as an old, caring and dependable grandparent.

It appears that consumers tend to ascribe various descriptive ‘personality-like’ traits or characteristics—the ingredients of brand personalities—to different brands in a wide variety of product categories. A brand’s personality can either be functional (‘provides safety’) or symbolic (‘the athlete in all of us’).

Brand personality is extremely important in positioning brands with non-functional values. Many brand strategy statements refer to the ‘character’ or ‘personality’ of the brand. However, brand managers writing these statements often tend to define ‘character’ for several brands in the company’s line in more or less identical terms. For example, for many OTC remedies, the brand character is monotonously described as ‘caring’ and ‘efficient’. From ‘me-too product features’ one may end up with ‘me-too personalities’. For nutritional products aimed at children, and even for laundry detergents, the character/personality of the ‘caring mother’ and ‘conscientious housewife’ is encountered again and again.

The purpose of positioning by brand personality is lost if the manager is unable to define the desired ‘personality’ of the brand which is clearly distinct from the personalities of competing brands and sister brands of the company’s product lines.

The brand name is a complex symbol that represents a variety of ideas and attributes. The manufacturer who dedicates his advertising to building the most favourable image, the most sharply defined personality, is the one who will get the largest share of the market at the highest profit—in the long run.

According to David Ogilvy, it is important to decide what image is desired for the brand. Image means personality. The personality of the brand is an amalgam of many things—its name, its packaging, its price, the style of its advertising and above all, the nature of the product itself.

In many markets there are no real differences among the competitors. So managers begin to explore a more emotional level and this is where brand personality comes in.

Some authors consider brand image to be different from brand personality. Brand image refers to rational measurements such as quality, strength and flavour. Brand personality explains why people like some brands more than others even when there is no physical difference between them. Therefore, they consider brand

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personality as being made up of the emotional associations of the brand, and brand image as the physical features and benefits.

The added values (of a brand) tend to be increasingly non-functional values. But they will only work if they are blended with the physical and functional values to form an integrated brand personality.

The brand image thus represents the essence of all the impressions or imprints about the brand that have been made on the consumer's mind. It includes impressions about its physical features and performance, impressions about the functional benefits from using it, impressions about the type of people who use it, the emotions and associations aroused by it, the imagery and symbolic meaning it evokes in the consumer's mind—and this includes the imagery of the brand in human terms, as if it were a person.

The brand image is indeed the 'totality' of the brand in the perception of the consumer. It is truly a 'complex symbol' and defies oversimplifications that equate it to one of its characteristics—its physical features, for example, or its emotional associations alone.

Personality is that aspect of the brand's totality which brings to the consumer's mind its emotional overtones and its symbolisms—its characterization. One important operational utility of the brand personality concept is that when the consumer cannot distinguish brands by their physical features or functional benefits, he is invited to look at their human characteristics. It makes his task simpler in judging whether it is his kind of product or not.

With differentiated products, the functional benefits of the brand plus its imagery or symbolism help the consumer to make the right purchase. In case of undifferentiated products, the symbolic aspects of the brand—the brand personality—must bear the brunt of consumer persuasion. It must patch the target consumer's self-concept. When a marketer has a clear idea of his intended target segment, it is possible to think of a personality for the brand which will have congruence with the consumer's self-image.

As the markets become more and more fierce in character, companies will need more than just products and services to succeed. Aspects such as corporate culture and corporate citizenship have become crucial. Therefore in the 21st century businesses will have to define themselves by who they are.

Since consumers tend to associate brands with certain personality traits, it is possible to introduce brands in a symbolic fashion. Consumers think of brands as if the brands themselves were celebrities. They also tend to see brands as an extension of themselves. Thus, brands can be enduring and distinct. For example, the personality trait associated with Dabur is that it is caring, with Coke that it is cool, with Pepsi that it is hip, etc.

However, even though human and brand personality traits are similar in terms of their conceptualization, they are formed in different ways. Demographic characteristics, physical characteristics, an individual's behaviour all go towards determining the human personality. On the other hand, any kind of contact that a

customer has with a brand— direct or indirect—form perceptions of brand personality. Direct methods of associating personality traits with a brand include the brand user’s imagery, its product endorsers and the company’s employees. Hence, traits of those associated with the brand are transferred to the brand itself. Further, personality traits are also associated with a brand through symbols, logos, price, product category associations, etc.

Over and above personality characteristics, brand personality is also constituted of demographic characteristics such as age, class and gender. Again, these too are inferred from employees, product endorsers and the brand user’s imagery. They are also indirectly inferred from other brand associations.

### **Brand personification**

Brand personification works by recasting the attributes that consumers perceive in a product into human-like characteristics. Consumers can express their inner feelings about products or brands in terms of the association with a known personality. Identifying consumers’ current brand-personality link or creating one for new products is an important marketing task.

There are five defining dimensions of a brand’s personality (‘sincerity,’ ‘excitement,’ ‘competence,’ ‘sophistication’ and ‘ruggedness’), and fifteen facets of personality that flow out of the five dimensions (e.g., ‘down-to-earth,’ ‘daring,’ ‘reliable,’ ‘upper class’ and ‘outdoors’).

### **Product personality and gender**

If it is said that a product has a persona then it means that it has a gender. This assigning of a gender as part of personality description is fully consistent with the marketplace reality that products and services, in general, are viewed by consumers a ‘gender-being’. Once a marketer has some knowledge of the perceived gender of a product, he can choose the visual and the copy-text for marketing messages.

### **Personality and colour**

Consumers also tend to associate personality factors with specific colours. In some cases, various products, even brands, associate a specific colour with personality-like connotations. It appears that blue appeals particularly to female consumers. Black is associated with ‘sophistication’ and yellow connotes ‘novelty.’ For this reason, brands wishing to create a sophisticated persona (e.g., Hyundai Sonata) or an upscale or premium image use labelling or packaging that is primarily black.

Many restaurants paint their road signs in combinations of red, blue and yellow. These colours have come to signify affordable food and quick service. On the other hand, up-market dining restaurants use more sophisticated colours such as greys and beige as these signify fine, leisurely service.

The consumers’ likes or dislikes for various colours can differ from country to country.

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### 3.4 SELF CONCEPT ON BUYING BEHAVIOUR

Personality and self-image are closely related. Consumers buy only those products and patronize only those retailers whose personalities correspond with the consumers' self-image. Such concepts, as one or multiple selves, self-image, and the notion of the extended self are explored by consumer behaviour researchers.

Historically, individuals were thought to have a single self-image and focused on products accordingly. Research indicates that a consumer is quite likely to be or act differently with different people and in different situations. The idea that an individual embodies a number of different multiple selves suggest that marketers should target their products and services to consumers within the context of a particular self. The healthy or normal person is likely to display a somewhat different personality in various situations or social roles.

A person has a self-image of him/herself as a certain kind of person. Each individual's personality is unique since it is a product of his experience and background. Products seem to match one or more of individual's self-images; other products seem totally alien.

Four aspects of self-image are:

1. Actual self-image—The way the consumers view themselves
2. Ideal self-image—The way the consumers would like to view themselves
3. Social self-image—How the way the consumers feel others view them
4. Ideal social self-image—The way consumers would like others to view them
5. Some marketers have identified two other aspects also.
  - (i) Expected self-image: The way consumers expect to view themselves in the future
  - (ii) 'Ought-to' self-image: Those traits and characteristics that a person believes he should possess

In different contexts, the consumers might select different self-images to guide their behaviour. The concept of self-image has strategic implications for the marketers. The marketers can segment their markets on the basis of relevant consumer self-images and then position their products or stores as symbols of such self-images.

#### The extended self

The consumers' possessions can be seen to 'confirm' or 'extend' their self-image. This suggests that much of human emotion can be connected to valued possessions. Possessions can extend the self in a number of ways:

- Actually, by allowing the person to do things that otherwise would be very difficult or impossible to accomplish (e.g., problem-solving by using a computer).



- Symbolically, by making the person feel better or ‘bigger’ (e.g., receiving an employee award for excellence).
- By conferring a status or rank (e.g., status among collectors of rare works of art because of the ownership of a particular masterpiece).
- By bestowing feelings of immortality, by leaving valued possessions to young family members (this also has the potential of extending the recipients’ ‘selves’).
- By endowing with magical powers (e.g., a cameo pin inherited from one’s aunt might be perceived as a magic amulet bestowing good luck when it is worn).

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### **Altering the self**

Consumers often wish to change themselves—to become a different or improved self. It seems consumers are trying to express their individualism or uniqueness by creating and maintaining a new self. Clothing, cosmetics, jewellery, grooming aids, and all types of accessories offer consumers the opportunity to modify their appearance and thereby, to alter their selves. Personal vanity and self-image are closely related.

### **Virtual personality or self**

There has been a tremendous growth in the use of online chat rooms. People who visit chat rooms are able to carry on real time conversations about themselves and topics of mutual interest with people from all over the globe. The participants usually never get to see each other. This creates an opportunity for chat room participants to try out new identities or to change their identities while online.

In terms of personality, one can change from being mild-mannered to aggressive; or from being an introvert to an extrovert. The Internet has enabled the creation of virtual personalities. It allows people to try new identities similar to the way in which they try out new outfits in malls. If the identity proves to be desirable, it can be enhanced. Thus, human identity has been redefined by the Internet.

### **Check Your Progress**

3. Name the three distinct properties that can be identified through the study of personality.
4. What is the significance of brand personality?

## **3.5 ANSWERS TO ‘CHECK YOUR PROGRESS’**

1. Following are the three main sources of attitudes:
  - i. Direct exposure to objects and situations
  - ii. Explicit and implicit guidance from others
  - iii. Personality development

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2. Attitudes can be classified into four functions:
  - i. Utilitarian function
  - ii. Ego-defensive function
  - iii. Value-expressive function
  - iv. Knowledge function
3. The three distinct properties that can be identified through the study of personality are the following:
  - i. Personality reflects individual differences
  - ii. Personality is consistent and enduring
  - iii. Personality can change
4. Brand personality is extremely important in positioning brands with non-functional values. Many brand strategy statements refer to the 'character' or 'personality' of the brand. However, brand managers writing these statements often tend to define 'character' for several brands in the company's line in more or less identical terms. For example, for many OTC remedies, the brand character is monotonously described as 'caring' and 'efficient'. From 'me-too product features' one may end up with 'me-too personalities'.

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## 3.6 SUMMARY

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- Attitude is defined as a learned predisposition to behave in a consistently favourable or unfavourable manner towards a given object (for instance brand, company, technology, retailers, product or celebrity). An attitude is a person's liking or disliking towards a given object, and the reasons thereof.
- Tricomponent Attitude Model accords that attitudes have three major components: cognition, affect and conation.
- Attitudes, therefore, are the evaluations of objects—people, places, brands, products, organizations, and so on. Consumers evaluate in terms of their goodness, likeability, or desirability.
- Attitudes are generally measured by using scales. Each scale contains several items (sentences) and measures a specific aspect of an object whose attitude is being measured.
- Likert scale generally lets the samplers measure the scale to the extent to which they might accept or reject the given suggestion.
- Changing affect is one way of changing the attitude of potential customers. But this may or may not ensure that the customers will also change their beliefs. This too involves two strategies. One is to couple the product with a similar stimulus.
- Although the obvious way to bring about a change in the attitude of the consumer is by changing his beliefs, this can be an insurmountable task. Consumers have an inherent tendency to resist change.

- Consumers tend to carefully scrutinize claims in those situations that are important to them rather than in those that are not important. This suggestion has been made by ELM.
- The characteristics that decide how an individual will respond to his/her environment constitute a personality. This definition emphasizes inner characteristics. These are those traits, factors, attributes and qualities that distinguish individuals from one another.
- The foundation for the study of motivational research has been provided by Freud's theory of psychoanalysis. The basic premise of this theory is that human drives are unconscious in nature, but they do serve to influence consumer behaviour.
- Several of Freud's colleagues disagreed with his contention that personality is primarily instinctual and sexual in nature. They argued that social relations are fundamental to personality development. According to the Neo-Freudian theory, social relationships play an essential role not only in the formation of a personality, but also in its development.
- It is very important that the market innovators learn as much as they can about prospective consumers. These innovators are often crucial to the success of new products. One can differentiate between consumer innovators and consumer non-innovators on the basis of their personality traits.
- Market researchers want to understand how cognitive personality influences consumer behaviour. Two cognitive personality traits have been useful in understanding various selected aspects of consumer behaviour. They are: need for cognition; and visualizers versus verbalizers.
- Brands too have personalities. The way a brand presents itself defines its brand personality. These include gender and 'human-like' traits. Consumer research explores brand personality by asking questions about the effect the product/brand will have were it to come to life. For instance, Dabur is personified as an old, caring and dependable grandparent.
- Brand personification works by recasting the attributes that consumers perceive in a product into human-like characteristics. Consumers can express their inner feelings about products or brands in terms of the association with a known personality.
- Personality and self-image are closely related. Consumers buy only those products and patronize only those retailers whose personalities correspond with the consumers' self-image. Such concepts, as one or multiple selves, self-image, and the notion of the extended self are explored by consumer behaviour researchers.

## NOTES

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### 3.7 KEY TERMS

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- **Attitude:** It is defined as a learned predisposition to behave in a consistently favourable or unfavourable manner towards a given object (for instance brand, company, technology, retailers, product or celebrity).

- **Materialism:** It is a trait of people who feel their possessions are essential to their identity.

## NOTES

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### 3.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. Why do consumers form attitudes about objects related to consumption?
2. Write a short note on measurement of attitudes.
3. What is the significance of attitude formation of consumers?
4. Mention the Elaboration Likelihood Model (ELM).
5. How can we differentiate between consumer innovators and consumer non-innovators?

#### Long-Answer Questions

1. Discuss the Tricomponent Model of Attitude.
2. Explain the multi-attribute attitude models.
3. Describe the various personality theories which play a vital role in the study of consumer behaviour.
4. 'Brand personification works by recasting the attributes that consumers perceive in a product into human-like characteristics.' Explain the statement.
5. 'Personality and self-image are closely related.' Do you agree with this statement? Give reasons for your answer.

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### 3.9 FURTHER READING

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# UNIT 4 FACTORS INFLUENCING BUYING BEHAVIOUR OF CONSUMERS-II

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*Factors Influencing  
Buying Behaviour of  
Consumers-II*

## NOTES

### Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Psychographics and Lifestyle
- 4.3 Reference Group Influence
  - 4.3.1 Consumer Relevant Groups and Types
  - 4.3.2 Reference Groups
  - 4.3.3 Factors Affecting Reference Group Influence
  - 4.3.4 Application of Reference Group Concept for Promotion
- 4.4 Diffusion of Innovation
  - 4.4.1 Diffusion Process and Adoption Process
  - 4.4.2 Adopter Categories
- 4.5 Opinion Leadership
- 4.6 Family Decision-Making
  - 4.6.1 Functions of the Family
  - 4.6.2 Decision-Making of Different Family Members
  - 4.6.3 Role and Importance of Family Life Cycle
- 4.7 Answers to 'Check Your Progress'
- 4.8 Summary
- 4.9 Key Terms
- 4.10 Self-Assessment Questions and Exercises
- 4.11 Further Reading

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## 4.0 INTRODUCTION

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In our day-to-day life we observe that almost every individual interacts with other individuals on a regular basis. This interaction directly or indirectly impacts the purchase decisions of the individual. Thus, it is important for marketers concerned with influencing consumer behaviour, to study different groups and their impact on the individuals. This unit discusses the characteristics of groups and the influence of reference group. As the unit progresses, it explains family as a group and the role and importance of family lifecycle. In addition, it focuses on consumer relevant groups and their types. The role of personal influence and opinion leadership in purchasing decisions of an individual has also been covered in the unit. Finally, it discusses the elements of diffusion of innovation, diffusion process and adoption process.

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## 4.1 OBJECTIVES

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After going through this unit, you will be able to:

- Explain the significance of psychographics and lifestyle in the consumer buying behaviour

## NOTES

- Examine the influence of reference groups on the purchase of a product
- Define the term diffusion of innovation
- Analyse the importance of opinion leadership
- Discuss the role of family decision-making the buying process of a product

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## 4.2 PSYCHOGRAPHICS AND LIFESTYLE

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Any attributes that relate to personality, interests, values, attitudes or lifestyles when it comes to the fields of marketing, opinion or social research or demographics, are referred to as psychographic variables. These variables are also known as IAO variables where the letters I, A and O stand for interests, activities and opinions. These are in contrast with demographic variables like age and gender, behavioural variables like loyalty and level of usage, and firmographic variables like industry, seniority and functional area.

You should not confuse psychographics with demographics. For example, attitudes, cultural standards, personality formation, and other psychographic variables were responsible for defining historical generations. Many people have criticized the definition of the ‘Baby Boom Generation’, which is based on demographic variables whereas ideally, it should be based on psychographic variables. The definitions of all other generations is based on psychographic variables, whereas the Boomer definition is founded on a demographic variable, that is, the fertility rates of parents of the members of the generation.

When you construct a relatively complete profile of the psychographic make-up of a person or group, it is known as a ‘psychographic profile’. Such profiles are employed in market segmentation and also in advertising. Other definitions also exist in academic literature and some blogs on the Internet. Values, Attitudes, IAOs, behaviour and certain other categories of psychographic factors are employed in market segmentation.

Psychographics can also be seen as an equivalent of the concept of “culture” as used most commonly in national segmentation. ‘Psychographics is the study of personality, values, attitudes, interests, and lifestyles’.

### **Demographics, psychographics and lifestyle**

Demographic variables help marketers locate their target market and psychographic variables provide the marketer with more insight about the segment. Psychographics is, in common parlance, lifestyle analysis or AIO research. In its most widely practised form, a psychographic study consists of a long list of statements designed to capture relevant aspects of a consumer, like personality, hinting motives, interests, attitudes, beliefs and values. When the study becomes oriented towards a particular product, the consumers have to respond to statements which are selected for the purpose i.e. on products, brands, services, competitive situations etc.

The demographic and psychographic lifestyle approaches are highly complementary and work best together. People hailing from the same sub-culture, social class and even occupation follow quite different lifestyles. If we can create a fictitious Mrs. Mathur to look at possibly it may be like this: She may choose to

live a 'belonging' lifestyle which will be reflected in her wearing conservative clothes, spending considerable time with her family and participating in social activities. Or she can be an 'achiever' marked by an active personal life and playing hard when it comes to travel and sports. It can be seen that lifestyle depicts the "whole person" in active interaction with his environment.

The lifestyle analysis adds a great amount of understanding to a typical demographic description. A person buying a new designer shirt may be 34 years old, married and living in a three bedroom house and having 2 children. The lifestyle analysis would help marketers to paint a more human portrait to their target market.

For instance, the 'young, upwardly mobile' lifestyle group cutting across sub- cultures, social class, occupation etc. is now being increasingly used by Indian marketers as their market group. This finds its expression in advertising appeals 'He loves the feel of the city... The skyscrapers... The crowds... The pretty faces... And the heedy feeling of being successful... Above all the freedom of being himself.' So says the advertisement for Pantaloon cotton trousers from Manz Wear. Another advertisement for men's underwear from Bhilwara loudly announces 'for the man who plays many roles-here comes the very best in wear unders via the grand fashion avenues of Paris...Champs Elise'. The behavioural differences between prospects that do not show up in demographic figures come alive in lifestyle patterns. Lifestyle, analysis leads to more comprehensive and penetrating profiles of how consumers think and act than may be available from other approaches.

### **Characteristics of lifestyle**

Feldman and Theilbar describe lifestyle by the following characteristics:

- 1. Lifestyle is a group phenomenon:** A person's lifestyle bears the influence of his/ her participation in social groups and of his/her relationships with others. Two clerks in the same office may exhibit different lifestyles.
- 2. Lifestyle pervades various aspects of life:** An individual's lifestyle may result in certain consistency of behaviour. Knowing a person's conduct in one aspect of life may enable us to predict how he/she may behave in other areas.
- 3. Lifestyle implies a central life interest:** For every individual there are many central life interests like family, work, leisure, sexual exploits, religion, politics etc. that may fashion his interaction with the environment.
- 4. Lifestyles vary according to sociologically relevant variables:** The rate of social change in a society has a great deal to do with variations in lifestyles. So do age, sex, religion, ethnicity and social class. The increase in the number of double income families and that of working women have resulted in completely different lifestyles in the 1980's in India.

### **Influences on lifestyle**

Cultural and societal variables establish the outer boundaries of lifestyle specific to our culture. The interaction of group and individual expectations and values creates a systematic pattern of behaviour. This is the lifestyle pattern that determines purchase decisions. When goods and services available in the market are in tune with lifestyle patterns and values, consumer market reactions are favourable. And

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purchases that reinforce these patterns further illuminate these lifestyles. Lazer's lifestyle hierarchy brings out these interactions (Figure 4.1).

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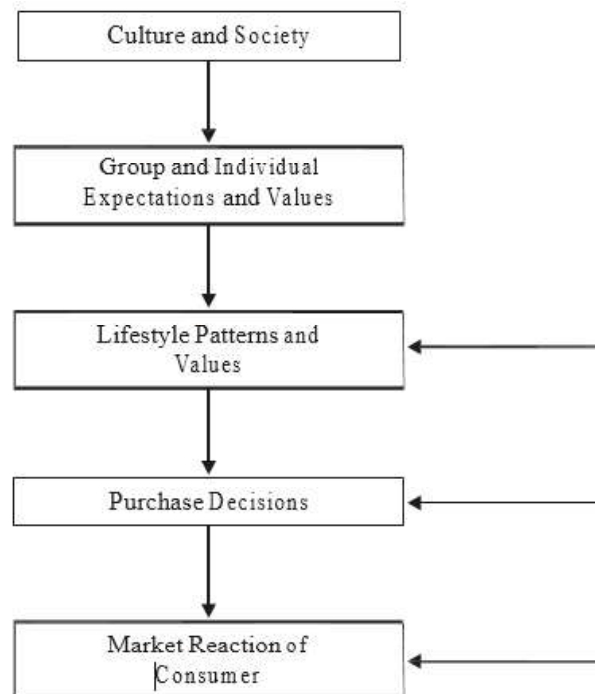


Fig. 4.1 Hierarchy of Influences on Lifestyles

### Approaches to study lifestyle

The study of lifestyle is interdisciplinary. It draws on a variety of disciplines such as anthropology, psychology, sociology and economics. Marketing uses this eclectic approach for segmenting, targeting and positioning which forms the core of marketing strategy. Because lifestyle refers to the way in which people live and spend money, consumers' psychographic profiles are derived by measuring different aspects of consumer behaviour such as:

- Products and services consumed
- Activities, interests and opinions
- Value systems
- Personality traits and self-conception
- Attitude towards various product classes

Many approaches are available to the study of psychographic variables. One of the ways is to study the lifestyle variables by an AIO inventory for use in segmenting, targeting and positioning. Another lifestyle approach is the usage of the VALS (Values, Attitudes, Lifestyles) typology. This is enumerated below.

### VALS

Developed by social scientist Arnold Mitchell, VALS is a proprietary research methodology used for psychographic market segmentation. The VALS framework has essentially two dimensions:



- The horizontal dimension: Represents primary motivation and includes consumers motivated by ideals called thinkers and believers, consumers motivated by achievement called Achievers and Strivers, and consumers motivated by self-expression called Experiencers and Makers.
- The vertical dimension: It segments people based on the degree to which they are innovative and have resources such as income, education, self-confidence, intelligence, leadership skills, and energy.
- A newer VALS2 framework has also been developed. Like VALS, VALS2 also has two dimensions:
- The first dimension: self-orientation which determines the type of goals individuals pursue to reflect their self-image.
- The second dimension: resources which reflect the ability of individuals to pursue their dominant self orientation including a full range of physical, psychological, demographic and material means such as self-confidence, interpersonal skills, inventiveness, intelligence, etc.

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### 4.3 REFERENCE GROUP INFLUENCE

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A group is a collection of people interacting together in an orderly way on the basis of shared norms, values and expectations about one another's behaviour.

#### **Characteristics of a group**

A group is a collection of individuals who contribute to a common objective under the guidance of a leader. They have a common identity. A group stimulates its members, and fulfils their psychological and security requirements.

The characteristics of a group are:

- Members engaged in frequent interactions
- Members sharing common norms and mutual interests
- The involved people defining themselves as members
- Others defining the members as belonging to a specific group
- Members identifying with one another and sharing values
- Members feeling a joint sense of responsibility
- Members acting in a unified way towards the betterment of the group

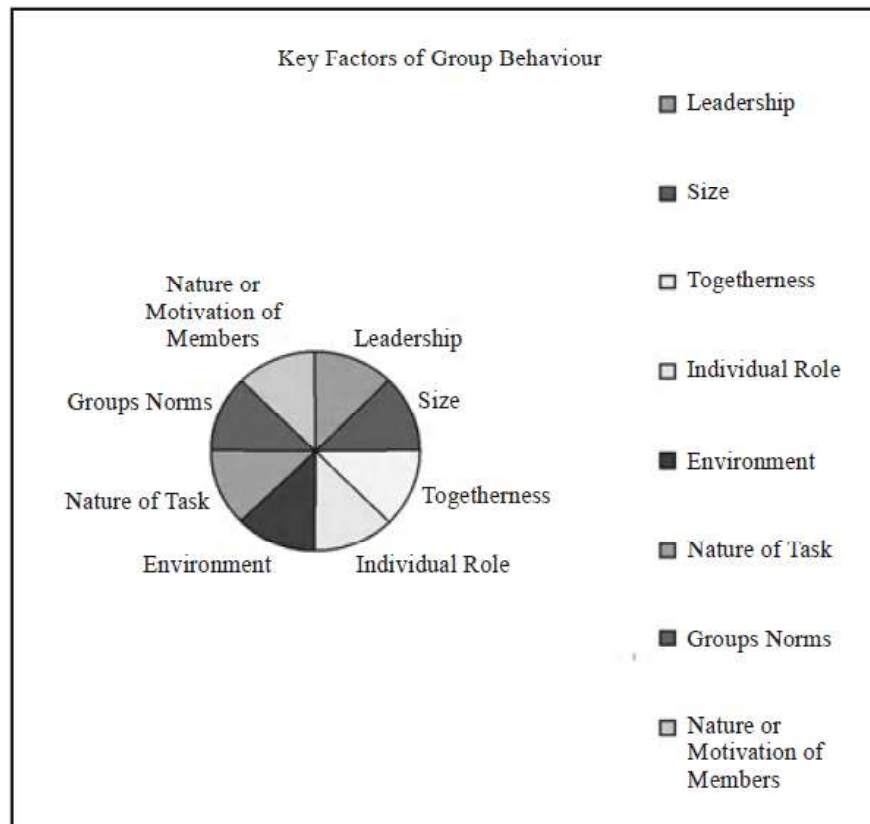
#### **Elements affecting group behaviour**

The following elements are responsible for affecting group behaviour:

- The group's size
- The group leader
- The nature and motivation of individual members
- The norms of the group
- The roles assigned to each individual

- The environment
- The task

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*Fig. 4.2 Elements Affecting Group Behaviour*

As described above, a group is a collection of individuals sharing a common identity and a common goal under the direction of a common leader. The majority of the organizational functions are undertaken by the group, which in turn provides stimulus, security and help to the individuals that constitute it.

In practice, however, many groups are under such pressure to reach targets that processes and relationship issues becomes superficial. For the group to be effective, adequate time needs to be set aside to facilitate issues to be resolved and relationships to be strengthened. Group norms, once developed, should be followed by one and all.

These norms might not be in line with the management's norms, for example, output controls. When the needs and expectations of the organization are in sync with those of the group then effectiveness can be achieved. Effective groups tend to have an informal and relaxed atmosphere where there is a degree of participation. Conflict are brought out into the open and the means to resolve them are decided by consensus.

### **Group influences**

Human beings are inherently social animals, and individuals greatly influence each other.

A useful analysis framework of group influence on the individual is the reference group - the term comes about because an individual considers a relevant group as a standard of reference against which he compares himself. The different forms of reference groups are as follows:

- Aspirational reference group – refers to those others against whom one would like to compare oneself. For instance, many organizations or firms use cricket players as spokespeople, and these represent what many people would ideally like to be.
- Associative reference groups – include people who more realistically represent the consumers’ current equals or near-equals — example: neighbours, coworkers, or members of churches, clubs, and organizations.
- Dissociative reference groups – include people that the individual would not want to be like. In practice, youngsters wanted to dissociate from older people, who they may regard as ‘uncool’.

Reference groups have degrees of influence. Primary reference groups wield greater influence — example: fraternity/sorority. Secondary reference groups have relatively lesser influence — example: a weekend boating club where the influence may be less due to limited time.

Another typology places reference groups into the informational kind (where the influence is based almost wholly on the knowledge of the members), normative (where members influence what is deemed to be ‘right,’ ‘responsible,’ or ‘proper’), or identification. The difference between the first two types involves the individual’s motive to comply. In the case of normative reference groups, individuals tend to comply mostly for utilitarian reasons — example: religiously following the company dress code can assist in the growth of an individual’s career, but the motivation to dress the same way outside the job environment is non-existent. On the other hand, people readily comply with identification groups’ standards because they want to belong — example: a member of a religious group may be wearing a religious symbol everywhere he goes, since religion is a part of that individual’s identity.

### Types of Social Groups

The following are various types of social groups:

#### Primary and Secondary Groups

*Primary group* is a small collection of people who interact in a personal, informal and intimate way. These are groups with intimate, kin-based relationships – example: families. They last for years. Face to face interaction is very common.

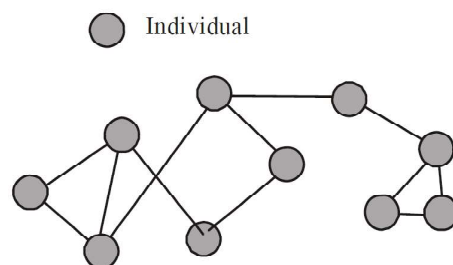


Fig. 4.3 Individual and Groups

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Individual persons in groups are linked to each other by social relationships (see Figure 4.3).

*Secondary groups* are large groups whose relationships are *institutional* and formal. They may last for years or may disband after a short duration. The formation of primary groups is also possible within secondary groups.

Members of a secondary group have a more formal approach to interaction, rarely have emotional ties, and are driven by a specific purpose. These are groups to which the individual conceptually relates himself, and from which he adopts objectives and values as a part of his self-identity.

**Comparison between primary as secondary groups**

- Secondary groups are more goal-oriented, whereas primary groups are person- oriented.
- Primary groups shape personality, formulate self-concepts, bring about a sense of personal worth, and helps an individual become an accepted member of the society. Secondary groups help societies function effectively and allow people who personally don't know each other to effectively carry out their tasks. Table 4.1 shows a comparison between primary groups and secondary groups.

*Table 4.1 Primary Groups vs. Secondary Groups*

PRIMARY GROUPS	SECONDARY GROUPS
Small	Large
Intimate Relationships	Superficial Relationships
Long Life	Short Life
Informal Interaction	Formal Interaction
Emotional Ties	Less Emotional Ties

**In-groups and out-groups:** An In-group is a social class where people have a sense of belonging; the members of such a group have a consciousness of kind. In-groups are usually primary groups. An out-group is one where members do not have a sense of belonging. In-group members tend to have a hostile outlook towards out-group members. An out-group attack will strengthen the cohesiveness and solidarity within an in-group. Both these groups can be large or small.

**Peer groups:** These are informal primary groups, where members are roughly of the same age with not much difference in their status.

**Reference groups:** These are psychologically identified by people and used as reference while evaluating themselves and their behaviour.

### **4.3.1 Consumer Relevant Groups and Types**

Consumers are likely to be influenced by a wide range of people that they come across. The following five specific reference groups have to be considered in this context because they influence consumers' attitudes and behaviour:

#### **Friendship groups**

Friendship groups are categorized as informal groups as they are generally unstructured and without specific authority levels. Seeking and maintaining friendships is a basic drive for a majority of the people. Friends fulfil a wide range of needs. They provide relationship, security, and opportunities to discuss problems that an individual may not feel comfortable to discuss with members of his family. Friendship is also a sign of independence and maturity, symbolizing a breaking away from, and forming ties outside of, the biological family.

The opinions and preferences of friends are an essential influence in deciding the product item an individual finally selects. Marketers of clothings, fine jewellery, junk foods, and alcoholic beverages know the power of peer group influence and very often depict friendship situations in their advertisements.

#### **Shopping groups**

Two or more people who shop together for clothing, food, or simply as a means to pass time can be categorized as a shopping group. They are often offshoots of friendship or family groups, and they function as what has been termed 'purchase pals'. The motivation for shopping for purchase pals range from social motives to reducing the risk while making purchase decisions. There are times when members of the group have very little idea about the product under consideration. Here, the shopping group forms to resolve the problem; group members generally have confidence in a collective decision.

An in-home shopping party is another special type of shopping group. Here group members gather together at a common friend's house to attend a 'party' dedicated to evaluating a particular line of products. The in-home party approach offers marketers with a chance to demonstrate their products' features to a group of potential customers.

Another common element of shopping behaviour is the customer referral programmes which involves group dynamics. These programmes focus on member-get-member (MGM) campaigns. Existing customers are asked to convince others to become customers. For instance, a warehouse membership club might give a reward to a current member who convinces a non-member to join, or the reward might be divided among the two parties.

#### **Work groups**

People spend more than forty hours a week at their work places; this offers enough opportunity for work groups to influence the members' consumption behaviour.

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Consumer behaviour can be influenced by formal work groups as well as informal friendship work groups. In formal work groups, people serve together as part of a team; informal work groups consists of individuals who have become friends over serving the same organization for a period of time.

In the past, companies sold their products through direct calls to non-working women in their homes. Today, however, more women are working outside their homes, and companies are now deploying their sales efforts and plans during lunch- hour visits.

### **Virtual groups or communities**

The advent of the computer and the Internet has engendered a new type of group – the virtual group or virtual community. Whereas sixty years ago the definition of a community stressed the notion of geographic proximity and face-to- face relationships, today’s communities are much more broadly defined as ‘sets of social relations among people’. ‘Internet communities’ or ‘Virtual communities’ have wide- scale access. These terms refer to web-based consumer groups. With virtual communities, members have access to seemingly limitless data, as well as fellowships and social interaction that covers a wide gamut of topics. These communities provide marketers with opportunities to address consumers with a specific common interest; this can enhance the consumer’s consumption experience. This exchange of knowledge (information) can help a good product sell faster, while under-performing products fall faster. Indeed, there are a good number of ‘knowledge exchanges’ that permit registered members and others to ask questions of experts on relevant subjects.

### **Consumer action groups**

These groups have emerged in response to consumer movement. They have been able to influence product design and check malpractices of both manufacturers and retailers. There are two categories of consumer action groups: temporary action group and permanent action groups.

Temporary action groups gather to correct specific consumer problems and then disband. For example: a group of tax-payers organized by residents of a particular town or city against hike in water, tax rates or property tax. Such a group is disbanded as soon as the problem is solved.

Permanent action groups gather to address broader, more damaging problem areas and function over a much longer stretch of time or even on a permanent basis.

The major goal of these groups is to sufficiently pressure selected members of the business community and convince them to correct perceived consumer abuses. Such action groups influence the actions of the business community to a degree not possible by an individual consumer acting on his own behalf.

### **4.3.2 Reference Groups**

People refer to these groups when evaluating their qualities, attitudes, circumstances, values, behaviours, their role performances, ambitions, and desires. This group can be a non-membership group or a membership group.

- In a sociological concept, a reference group is referred to as a group to which an individual or a group is compared.
- Reference groups are deployed to evaluate and decide the characteristics and social features of a particular individual or a group. A reference group is deemed as an individual's source and a point of reference for deriving his perceptions, experiences, cognition, and ideas of self. It is imperative to determine an individual's self-identity, attitudes, desires, and social ties. Thus, a reference group is the yardstick to which one's appearance and efficiency are measured.

A consumer reference group is the group to which the consumer has close ties with and which the consumer uses for references. A consumer reference group can influence the consumer's buying behaviour.

The main types of reference groups are shown in Figure 4.4.

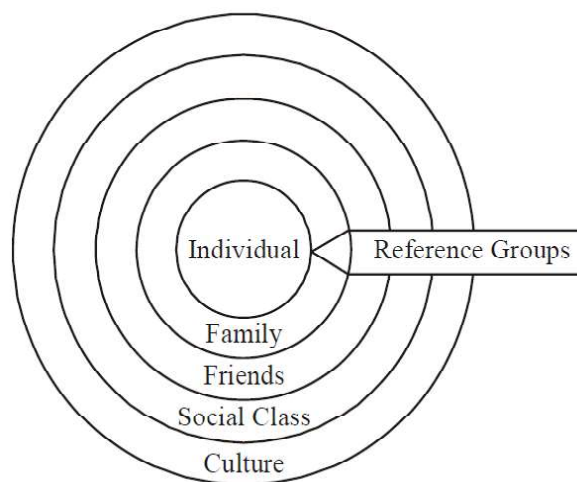


Fig. 4.4 Major Consumer Reference Groups

### Types of reference groups

There are generally two types of reference groups.

1. **Normative reference group:** The consumer has direct or face-to-face relationship with a normative reference group. This consequently influences the consumer's buying decisions and behaviour.

Take, for instance, family and friends. The family members are constantly interacting with the consumer and they offer their varied ideas, information and suggestions regarding the purchase of a particular product item. The consumer, more often than not, is influenced by their inputs.

2. **Comparative reference group:** The consumer's relationship with this group is less direct; here, the consumer is gradually affected and, over time, adopts the lifestyle of the personalities who belong in the comparative reference group.

These groups may comprise movie and television stars, famous sports personalities, and other well-known and successful individuals. The marketer tries

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to attract his target audience by using varied promotional campaigns and influence them to buy product items endorsed by people of the comparative reference group.

### 4.3.3 Factors Affecting Reference Group Influence

Each reference group influences individual behaviour. Usually, the influence of a reference group on the consumer depends on the consumer's behaviour, nature, and the product line, among other factors. The influence of these factors is discussed below.

**Information and experience:** One major factor that affects reference group influence on the individual is the individual's knowledge and experience with a product or service. An individual with hand knowledge and experience of the product or service and who has access to information on the same is less likely to be affected by opinions of reference groups. On the other hand, an individual without access to information on the product or service may seek out the opinion or example of others whom he thinks have adequate and dependable information on the product or service. Thus, if a person has insufficient experience or information concerning a product, he is more likely to be influenced by the opinions of his reference group.

**Credibility, attractiveness and power of the reference group:** A reference group that is perceived as trustworthy/credible, powerful and attractive has a greater chance of affecting a customer's behaviour. For instance, consumers looking for reliable information on products will seek out credible sources for information. If the consumers are seeking acceptance or approval of people they like – whom they can identify or associate with and get advantages, like status – they are likely to adopt their product item, brand and other behavioural traits.

If the consumers are concerned about the power that a person or a group can exert upon them, they might select certain products or services for fear of being punished by that individual or group. However, they may also follow the instructions of the reference group because the group is attractive and has credibility. Family or elder members of the family are powerful reference groups. Youngsters follows their instructions as they consider them credible or they fear the punishment they might have to face should they go against the instructions.

Different reference groups may influence habits, attitudes and behaviours of individuals in different situations and in different points of time. For instance, a doctor conforms to the dress code of a white coat while on duty, but he may wear a different outfit when he is not on duty.

**Conspicuousness of the product:** The reference group's potential influence on the purchase decision will differ with regards to the conspicuity – visible or verbal – of the product. A visually conspicuous product item is seen and will stand out and be noticed (example: a luxury product). However, the product does not necessarily have to be visible to have an influence on the customers. For example, status-revealing items like luxury cars are most likely to be purchased if reference groups give good reviews on the same. Less conspicuous products (example: laundry soap) need no reference group opinion for a consumer to purchase them.



### 4.3.4 Application of Reference Group Concept for Promotion

Marketers generally use reference groups to appeal to the consumers so as to mould their attitude positively towards their products. To be successful in influencing customers, a reference group must:

- Make the consumer aware of a specific brand or product.
- Offer the consumer a chance to compare his behaviour and attitude with the behaviour and attitude of the group.
- Influence the individual to adopt behaviour that is in sync with group norms.
- Make legitimate the customer's decision to use the same product as the group.

Some marketers use reference group appeals very effectively to segment their markets. People with whom a segment of the audience can identify are used to promote goods and services by making the potential consumer identify with the picture in the product. This identification may be based on aspiration (of a celebrity), admiration (of a player), empathy (with a person or situation), or recognition (of a person or a situation). Reference group appeal is effective because the prospective consumer thinks, 'If he uses it, it must be good' OR 'if I use it, I will be like him' or he thinks to himself, 'I have the same problem he had, and what worked for him should work for me too.'

Three major types of reference group appeals are commonly used for promotional purposes: celebrity appeals, expert's appeals and the common man appeals. Other groups' appeals are also used but their usage is not so common. The influence of these reference groups are follows.

#### 1. Celebrities

Celebrities are persons who are admired by the public on one count or the other. Celebrities can be athletes, sports heroes, movie stars, and television personalities and they provide a popular type of reference group appeal. They represent an ideal life that their followers and the general public would love to live. Advertisers spend a huge amount for celebrities, as their association with the product could appeal positively to their readers or viewers. In fact, it has been estimated that one of every three television commercial uses a famous person to endorse a consumer product or service. When a recent study compared the impact of advertisement with and without celebrities, it was found that advertisements with celebrities were rated more positively. Teenagers were more liable to purchase products used by celebrities.

**How celebrities are used:** An organization that decides to deploy a celebrity to promote its product, also determines the promotional roles in which they will be used in the advertisement or commercials. Their different promotional roles are:

- **Testimonial:** Where the celebrity has used the product or service and is in a position to attest to its quality, he or she may give a testimonial citing its benefits. An example would be a testimonial by Sachin Tendulkar for an MRF cricket bat.

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- **Endorsement:** A celebrity does not have to be an expert on a particular product item to endorse it. Tennis player Sania Mirza's appearance for a *TVS Scooty* ad is one example of an endorsement.
- **Actor:** A celebrity is asked to present/talk about the product or service as part of a character enactment, rather than as a personal testimonial or an endorsement.
- **Spokesperson:** A celebrity who represents a brand or a company over a period of time and who generally appears in print or television alongside the product can be called a company spokesperson. Such spokespersons are trusted by the consumers.

**Credibility of the celebrity:** The most important contribution of the celebrity to the firm's advertising programme is the creditability of the celebrity himself with the consumer audience. Creditability refers to the perception of the consumers about the expert knowledge of celebrity (how much the celebrity knows about the product) and his credibility (the celebrity's honesty regarding his knowledge about the product). To increase the credibility of the celebrity, organizations have now started using the celebrity on an exclusive basis (he does not endorse any other brand in that product category). This certainly has very positive benefits. The consumer perceives the product positively and trusts the celebrity's positive words about the product. On the other hand, if he endorses more than one product, it somewhat undermines the celebrity's message about the product.

Research reveals that the age of the audience is more important. Teenagers were found to be more impressed and more likely to respond positively to products endorsed by a celebrity. A celebrity with an attractive personality is more likely to attract customers towards the product he or she is endorsing.

### 2. Experts

The second type of reference group appeal commonly used by marketers is the expert. An expert is an individual with extensive knowledge of a product that may have come about through his occupation, experience or training. He can help customers better evaluate the advertisement's products. A chartered accountant may endorse the National Savings Certificates, or a chef may endorse a quality cooking vessel. Some advertisers may combine a celebrity and an expert to make the advertisement more potent.

### 3. The common man

The third type of reference group appeal employs the testimonials of a common man – typically a satisfied customer. The benefit of common man appeal is that a potential consumer is more likely to relate to him. Such appeals are more effective in public health announcements (example: high blood pressure medicines). An advertisement for an electric shaver that depicts four stereotypical males, each giving different reasons for their satisfaction with the product, is an example of common man appeal. A potential buyer, who has purchased and used such shavers, may come to know various reasons for the advertised brand's superiority, and it may make him buy that brand the next time he goes out looking for an electric shaver.

Many television commercials depict widely prevalent problem situations and show how a typical family or person has resolved the problem by using the product advertised. These commercials are also called 'slice of life commercials' because they depict the problem 'out of real life', something the lay audience can identify with.

In recent years, a number of advertisers have adopted the approach of 'listening-in' or showing a group interview (like a focus group session) in which, for example, women are asked to discuss their present remedies for colds and evaluate the benefit of medicines for colds. A consumer who identifies with that medication need, or other needs discussed by the group, may follow their opinion and buy the advertised product.

#### **4. Other reference group appeals**

- (a) **Executives:** A variety of other promotional strategies can creatively work as a consumers' frame for reference. Some companies present their top executives as spokespersons in consumer advertisements. Such types of reference group appeal is successful as executive spokespersons are admired by the public because of their achievements and the status bestowed upon him. When the most important person of the company producing the product says that he stands behind the product, consumers tend to take notice.
- (b) **Retailers and editorial contents:** Some of reputed retailers and editorial content of special interest magazines can also influences consumers' attitude and behaviour. For example, when a leading fashion specialty store features or displays a particular fashion line suitable for a particular season, consumers take notice.
- (c) **Trade characters and cartoon characters:** It is interesting to note that trade characters or familiar cartoon characters (like Mickey Mouse, Superman, etc.) also serve as types of quasi-celebrity endorsers.
- (d) **Seal of approval and product rating:** Seal of approval and an objective product rating can serve as positive endorsements that stimulate consumers to act positively towards an advertised product.

Thus, the above reference groups influence the consumers' attitude and behaviour to a great extent and also help in promoting the product favourably.

#### **Benefits of reference group appeal**

Reference group appeals have two major benefits to the advertisers:

- (i) **Increased brand awareness:** Reference group appeals provide the advertiser with the opportunity to gain and retain the attention of prospective consumers with greater effectiveness as compared to other types of promotional strategies. This is particularly true of the celebrity form of reference group appeal, where the personality employed is well known to the relevant target segment. A celebrity tends to draw the attention of prospective consumers through his popularity.
- (ii) **Reduced perceived risk:** The use of one or more reference group appeals may also serve to reduce the consumer's perceived risk in purchasing the product. Consumers tend to believe celebrities more easily, and their endorsement assures them that the product they are buying is worth the money.

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On the basis of positive experience, advertisers continue to use celebrities, experts, common man appeals, as well as other reference group appeals to promote and differentiate their product.

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### Check Your Progress

1. What are the significant elements of a psychographic study?
2. List the characteristics of a group.
3. What are peer groups?

## 4.4 DIFFUSION OF INNOVATION

This is a theory that attempts to explain why, how, and at what rate new technologies and ideas spread through cultures. American sociologist, Everett Rogers defines diffusion of innovations as, 'the process by which an innovation is communicated through certain channels over time among the members of a social system'.

### Elements of diffusion of innovation

The four primary elements of diffusion of innovation are:

- i. Innovation
- ii. Types of communication channels
- iii. Rate of adoption
- iv. Social system which helps frame the process of innovation decision

### Types of innovation decisions

An individual or a social system/organization selects the type of innovation decision on the basis of whether it is adopted or rejected. There are three primary innovation decisions within the framework of diffusion of innovation.

- (i) **Optional innovation decision.** This decision is undertaken by an individual who is differentiated from others in some way in the social system.
- (ii) **Collective innovation decision.** This decision is collectively made by all people in the social system.
- (iii) **Authority innovation decision.** Here, a select few individuals in influential positions make this decision for the entire social system.

### An illustration

Products go through various stages of a life cycle. First, a product is introduced. Typically, the product is costly and unknown, and sales tend to be limited. However, many products eventually reach a *growth* phase, where sales and profits both fulfil their optimum potential. A majority of organizations introduce models of their product into the market. Quite often, the product reaches a stage called the *maturity* stage where very little growth is witnessed. If you look at India, for example, almost every household possesses a colour television set. In the same way, some products may experience a *decline* stage, when some better alternatives come into the market (Figure 4.5). To take an example, computers have replaced

typewriters. Product life cycle is tied to the phenomenon of diffusion of innovation. When a new product in to the market, it is likely to be first tried out by more innovative consumers who are willing to risk trying unproven technology and paying a high price for the product. It is important to be on good terms with innovators, as later adopters will have to seek their advice on new products – products that innovators have used and have substantial knowledge about.

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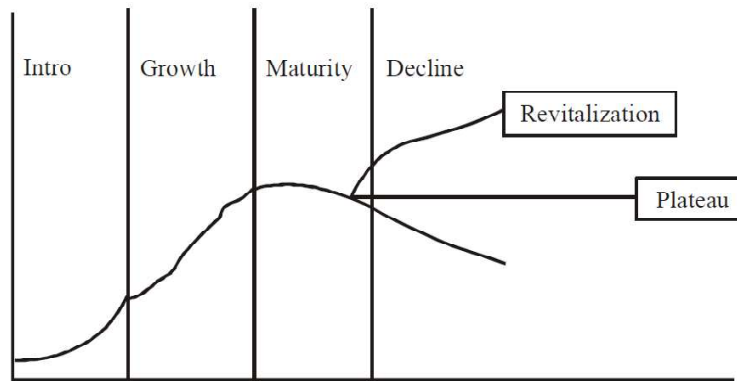


Fig. 4.5 Product Life Cycle

At later phases of the product life cycle, organizations may have to alter their market strategies. It is sometimes important to categorize products as being either existing or new.

Most organizations today rely increasingly on new products for a large portion of their sales. Products can be new in many ways. They can be *new to the marketplace*—no one else ever developed a product like this before. Products can also be *new to an organization*—it may simply be creating a new version of a product already invented by another organization. For instance, IBM came up with its own version of the computer after other organizations showed how potentially successful the machine could be. Old products can also be new to a segment—e.g., cellular phones and pagers were first targeted at physicians. Later organizations, having seen their potential, decided to target the general masses.

Diffusion of innovation looks at the tendency of new products, ideas or practices to spread among people. Usually, new products are initially adopted only by a select group of people, and it is only later that innovations spread among the larger majority.

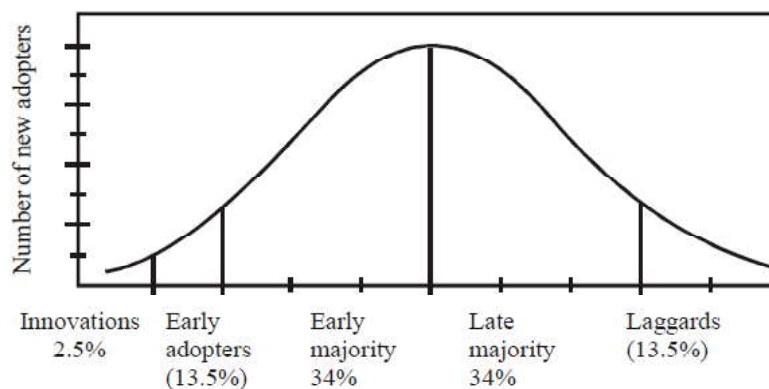
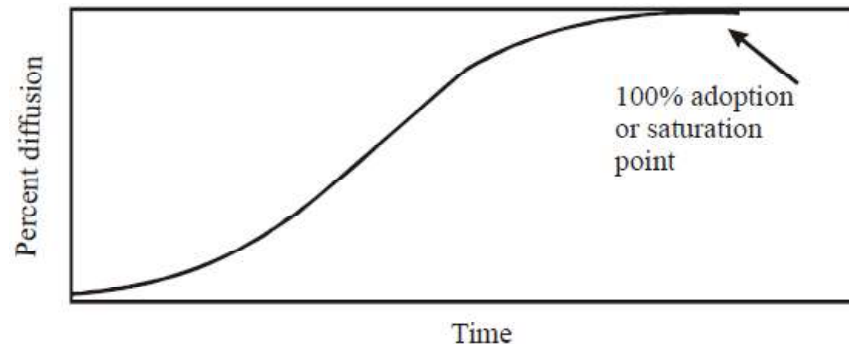


Fig 4.6 Adoption of Innovation

The bell shaped curve in Figure 4.6 illustrates a new product's rate of adoption. The S-shaped curve in Figure 4.7 reflects cumulative adoptions. The 'saturation point' is when the maximum proportion of consumers is likely to adopt a product.

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**Fig.4.7** Cumulative Adoption

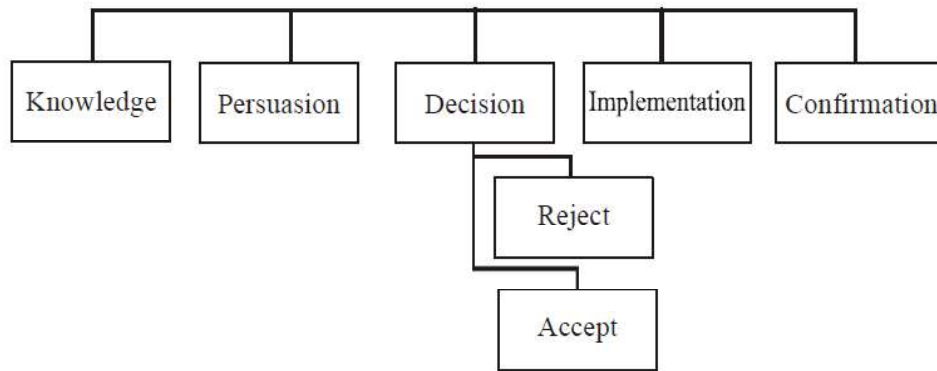
Innovations occur in different degrees. *Continuous* innovation involves minor improvements over time. *Dynamically continuous* innovation takes into account the change in technology of a new product even if its usage is similar to its predecessor—e.g., a modern jet vs. an old propeller aircraft. *Discontinuous* innovation involves products that alter the way things are done—e.g., fax machines and photocopiers. Discontinuous innovations are generally harder to market as these require greater changes to the way things are done, but the rewards can be invaluable.

Certain cultures have the tendency to adopt new products quicker than others, a trait that is based on the following factors:

- *Modernity*: The degree to which a culture is open to new things. For example, USA tends to value the concept of progress more than many other societies.
- *Homophily*: If the members of a culture are similar, an innovation is likely to spread faster.
- *Physical distance*: Greater the distance between people slower is the spread of innovation.
- *Opinion leadership*: If the opinion leaders are respected, the spread of the innovation is likely to be faster.

### 4.4.1 Diffusion Process and Adoption Process

The process of diffusion of an innovation consists of five steps. It happens through a series of communication channels over a period of time among the members of a similar social system. Initially, Rogers suggested the following five stages: awareness, interest, evaluation, trial and adoption. It should also be noticed that a person may reject an innovation at any point of time, whether this is after or during the process of adoption. Later, Rogers changed the terminology of the five stages to: knowledge, persuasion, decision, implementation and confirmation (Figure 4.8).



**Fig. 4.8** Stages of the Adoption Process

Let us now understand what each of these stages involves.

**Knowledge:** Here the individual is first exposed to an innovation but lacks information about the innovation. During this stage, the individual is not inspired enough to seek more knowledge about the innovation.

**Persuasion:** Here, the innovation interests the individual, who actively seeks more information about the innovation.

**Decision:** During this stage of the process, the individual takes the innovation's concept and weighs its advantages and disadvantages. He finally decides whether to reject or adopt the innovation.

**Implementation:** In this stage, depending on the circumstances, the individual uses the innovation on a varying degree. He determines the innovation's usefulness and may look out for further information about the same.

**Confirmation:** Here, the individual confirms his decision to continue using the innovation, and he may use it to its optimum potential.

### Rates of adoption

The rate of adoption is the relative speed with which a social system adopts a new innovation. It is typically measured by the length of time that is required for a certain number of the members of a society to adopt an innovation. An individual adopter category helps to determine the rates of adoption. Generally, individuals who adopt the innovation first will have a lesser degree of adapting difficulty than those who adopt the innovation later. After a point, an innovation will reach *critical mass* within the rate of adoption. Critical mass is the point of time in the adoption curve where enough individuals have adopted an innovation for its continued adoption to be self-sustaining. Rogers explains critical mass through several strategies, such as to have an innovation adopted by a highly respected individual within a social network, creating an instinctive desire for a specific innovation in order to help an innovation get to this stage. Invite a group of individuals more likely to use an innovation to try out the innovation, and offer benefits and positive reactions for early adopters.

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### Characteristics of innovations

Rogers points out numerous intrinsic characteristics of innovations that affect the decision to reject or adopt an innovation.

- An innovation which is an improvement over an earlier generation has a better chance of adoption.
- An innovation that an individual feels is more compatible with his way of life also has a better chance of adoption.
- A complex innovation is not adopted easily.
- 'Triability' determines the comfort and ease of use of the innovation. An individual will in all likelihood to adopt an innovation that is easy to use and disregard those that pose any difficulty.
- 'Observability' determines the degree to which a particular innovation's visibility to others. A more visible innovation is likely to reach more people and generate reactions, positive or otherwise.

### 4.4.2 Adopter Categories

An adopter category can be described as a classification of individuals within a social framework based on innovativeness. In his book *Diffusion of Innovations*, Rogers states five categories of adopters to evaluate the usage of adopter categories. It should be observed that the adoption of an innovation develops an *S curve* when plotted over a period of time. The adopter categories are:

- **Innovators:** These individuals are the first to adopt an innovation. They typically are risk takers, are young, have financial lucidity, belong to the highest social class, are social; and have the closest relationship to scientific sources and other innovators.
- **Early adopters:** This group of individuals are the second fastest to adopt an innovation. These individuals also typically have the most number of opinion leaders among categories not including the innovators. Characteristically, they are younger in age, have high social status, have financial lucidity, good education and are more social.
- **Early majority:** This category of individuals adopt an innovation much later than the first two categories. They typically tend to be slower to adopt an innovation, have above-average social status, some contact with early adopters, and do not frequently display opinion leadership.
- **Late majority:** This group will approach an innovation with the greatest degree of scepticism and will only adopt an innovation if the majority of the society has done the same. They possess below-average social status, little financial lucidity, and barely any leadership skills.
- **Laggards:** This group is the last to adopt an innovation. They generally are older and have no leadership skill. They are attached to 'traditions', belong to the lowest social status, barely have any financial fluidity, and are the oldest of all adopting categories.



## **Opinion leaders and communication channels**

This is evident that throughout the diffusion process varying individuals have varying degrees of influence over the others. In this connection, opinion leaders are influential in spreading an innovation's message, either positively or otherwise. Opinion leaders have their greatest influence during the evaluation stage. They have certain characteristics that sets them apart from the rest:

- Greater degree of exposure to the media
- Sophisticated nature
- Higher socioeconomic status
- Greater degree of contact with change agents
- Lots of social experience
- More innovative

## **Diffusion in organizations**

Organizations often adopt innovations through two types of innovation decisions: collective innovation decisions and authority innovation decisions.

**Collection-innovation decision:** This happens when the innovation is adopted after a consensus has been taken by organizational members.

**Authority-innovation decision:** Here, the adoption is decided by a few highly-placed individuals in the society who have a great degree of influence.

## **Consequences of adoption**

When an innovation is adopted, the consequences can be either positive or negative. This can be further divided into three categories:

- (i) Desirable vs undesirable
- (ii) Direct vs indirect
- (iii) Anticipated vs unanticipated

A few people adopt at first. As the value of the innovation becomes apparent, the number of adopters increases rapidly. The adoption rate diminishes finally as fewer prospective customers remain in the non-adopter category. Locating first buyers of new products is a challenge for marketing managers. They may serve as a test market, evaluating the products and making suggestions for modifications. Early buyers are often opinion leaders from whom others seek advice. A large number of research studies have established some general characteristics of most first adopters, such as: they tend to be younger, better educated, have higher social status, have higher incomes than others, and rely on impersonal information sources.

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## **4.5 OPINION LEADERSHIP**

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Opinion leadership happens through word-of-mouth communication. It is the process by which the opinion leader sways others' actions and attitudes; the others may simply be opinion seekers or opinion recipients. The influence is informal and

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interpersonal and occurs between two or more people. Word-of-mouth communication could also happen through telephone conversation. The opinion leader may turn opinion receiver when some other product is being discussed.

Viral marketing or wildfire marketing or buzz marketing involves strategies that require individuals to pass marketing messages to others, creating the potential for the messages' growth and influence. The term 'viral' connotes its virus-like effect on the market.

Individuals who seek information and advice on products are known as opinion seekers. The following example highlights opinion leadership at work. A woman who has recently rented a new apartment wants her kitchen to have more light, so she calls her colleague asking her if she knows 'of a good electrician'. Here the woman is seeking the opinion and information of her colleague.

### **Opinion leader**

Opinion leader is the role model for others to follow, especially when it comes to buying behaviour. These leaders communicate their messages to their masses through a primary group. As far as marketing goes, it is advantageous to directly communicate with the opinion leader; this can quicken up the processes that leads to acceptance an advertising message. For instance, advertisers may directly target female celebrities for a fashion campaign. In this case, the advertiser uses the opinion leader to carry the message down to the target group. Opinion leaders play a significant role in influencing markets, and advertisers sometimes use their testimonials to spread the message across.

The opinion leader is generally an active media user and capable of revealing messages for lower-end media users. He is held in high esteem by those who seek his opinion. Opinion leadership is subjective; a leader in one field may be a follower in another. An example of an opinion leader is the neighborhood computer service technician, who has much more knowledge of computers than the average consumer; however, his knowledge may be limited to his field and therefore he may be seeking out advice as a follower in another field, say furniture.

### **Dynamics of opinion leadership process**

Opinion leaders are remarkably effective at influencing the buying behaviour of other persons or individuals. The reasons for their influence are mentioned here:

**Credibility:** Opinion leaders are highly credible source of product related information, because they are perceived to be neutral and objective concerning the information or advice they offer. The information they dispense is in the best interest of the recipient since they have no economic gain for that advice. As because the advice is based on the first hand experience of the opinion leader, the opinion receiver is free from any perceived risk of anxiety adherent in new product trial. Since opinion leaders themselves do not know that they are influencing the buying behaviour of the opinion receiver, their product related advice can be considered as 'Soft Sale'.

**Positive and negative product information:** Information offered by a marketer about a product is invariably favourable to the product. But the opinion or advice

given by an opinion leader may be positive or negative, because he has no interest in the purchase. It adds to his credibility.

In general, negative comments are less common. Due to this, opinion receivers should avoid products or branches receiving negative evaluation.

**Information and advice:** Opinion leaders offer advice and information. They may tell the opinion receiver about a product – their experience and advice on what to buy or what to avoid.

**Opinion leadership is a two-way process:** A person who is in advice seeker at one time in one product item may be an opinion leader in another situation, even for the same product. For instance, a college student who wants to purchase a laptop may seek information and advice from other people about the brand. It will reduce his indecision about the brand to be bought. Once the laptop has been purchased, he may experience post-purchase dissonance and may advice others to purchase the same brand of laptop to confirm the correctness of his own choice. In the first case, he was opinion seeker, whereas in the later case, he is an opinion leader.

Through product related conversation, an opinion leader may also be influenced by opinion receivers. For instance, a person may suggest a friend a particular hotel to stay in at a visiting place. During the course of interaction, the opinion leader came to the conclusion that such hotel rooms are too costly, are in a narrow street, far from the main market and do not have amenities as do other hotels in that city.

**Opinion leadership is category specific:** The opinion leaders offer advice or opinion only about a specific category of product. Thus, opinion leaders are not opinion leaders for all product categories.

Thus, opinion leadership process is dynamic and not static. Opinions may be positive or negative and the opinion leaders are leaders only in case of specific product categories.

### **Influence of opinion leaders in the promotional strategy of a firm**

**Product involvement:** When an individual purchases a new item, it may create a tension in his mind as to the wisdom of his choice. He may try to assure himself by talking up the virtues of that product before others and may suggest others to buy that product to relieve his own psychological discomfort. If he can influence a friend or neighbour to buy that brand, he confirms his good judgement in choosing the product.

**Self-involvement:** In this situation, the opinion leader is self-involved and in a position to talk about that product and convince others about its virtues so that others may buy it. The data or advice that opinion leaders dispense may serve to gain their attention, help them attain status, assert their superiority, demonstrate their awareness and expertise, enable them to feel innovative and give them the feeling of having inside information and of converting less adventurous buyers.

**Others' involvement:** Opinion leaders who are motivated by involvement with others have a need to share product-related experiences. In this kind of situation, opinion leaders use these interactions as an expression of friendship.

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**Message involvement:** Talking may also be stimulated by great interest in the messages used to present the product. For instance, advertising that is highly original and entertaining may be the topic of conversation, especially since most of the people feel that they are experts on effective advertising and can thus speak as critics.

Why do followers accept personal influence?

- Opinion leaders offer information about the new product item or the new usage of a current product.
- They often reduce the perceived risk of opinion seekers by relating first-hand information about a specific brand or product.
- Opinion leaders reduce the search time in identifying a product that can serve their purpose.
- Opinion receivers can benefit from the approval of a person whose opinion they obviously respect when they follow that person's advice or product endorsement.

### Surrogate buyers versus opinion leaders

Opinion leaders control the purchase activity of new services and products. However, there are instances where surrogate buyers replace the opinion leader in this role. In numerous decision situations, the surrogate buyer instigates the purchase.

**Opinion leaders** are characterized by an informal relationship with end-users, and the latter can consult more than one before taking a final decision.

**Surrogate buyers**, on the other hand, have a formal relationship and an occupation-related status. They are usually hired and get paid for their opinion, and a second opinion is taken on certain occasions.

#### Check Your Progress

4. What are the four primary elements of diffusion of innovation?
5. State the numerous intrinsic characteristics of innovations that affect the decision to reject or adopt an innovation.
6. Define opinion leadership.

## 4.6 FAMILY DECISION-MAKING

The family is a group of persons related by blood, marriage or adoption who reside together. It is a basic social group and it is consisted of individuals known as Members.

There are the following three types of families

1. The Married Couple: It includes only husband and wife, and older couples who have already raised their children.
2. The Nuclear Family: It consists of husband, wife and a child.

3. The Extended Family: It consists of nuclear family plus one grandparent living with the household.

#### 4.6.1 Functions of the Family

The following are the major functions of the family:

1. **Economic well-being:** The main function of the family is to support the family financially. Mainly husbands do this work. In some families, both husband and wife work and support the family. In general, children do not support the family.
2. **Emotional support:** Family offers emotional support to its members and solves their personal and social problems. In western countries, if family fails to support the members emotionally they take support of professional and psychologist as an alternative.
3. **Suitable lifestyles:** Family offers suitable lifestyle or way of life to its members.

It teaches its members good habits, education, career, food habits, televiewing, entertainment and recreational activities. Lifestyle influences the consumer behaviour.

4. **Childhood socialization:** Under this function, the family teaches its members the way of life, how to live and behave in the society are the prime teachings of the family. Thus, personality development, interpersonal competence, dress and grooming habits, appropriate manners and selection of suitable occupation and careers are all parts of socialization. This may also be known as 'Consumer Socialization'. Children learn most of their consumption habits from their parents and elders. Consumer socialization has two distinct components: (i) those directly related to consumption such as the acquisition of knowledge, skills and attitudes concerned with pricing, budgeting, and brand attitudes and (ii) those which are indirectly related to consumption, such as underlying motivation that spur a young man to buy his first razer and to a young girl to want her first bra. Though both are important, yet second is most important to a marketer.

#### Key family consumption roles or purchase process roles

**Initiator** is a family member who recognizes the problem or need for the item, e.g., a suggestion may come from the homemaker to buy food processor in such a way to prepare meals more easily.

**Influencer** is a person who informs or persuades others in a buying situation. He may also be called as opinion leader in that he exerts personal influence on other members in a family with regard to a specific purchase situation.

**Information gatherer** is a person who gathers information about the purchase. The information may pertain to produce or place of shopping. Often, a person most knowledgeable in the product category will gather information.

**Decider or Decision-maker** involves one or more family members who has or have authority to decide the purchase. Often decision to buy is a joint or shared one.

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**Purchaser** is a person who makes the actual purchase from the shop or store. Sometimes purchaser may be referred to as the **gatekeeper**. The role of gatekeeper is to control the flow of products into the family. In other words, the purchase is blocked by the individual. Very often, parents act as gatekeepers in making the children's purchases.

**Users** are family members who actually use or consume the product or service.

**Maintainers** are family members who repair or service the product to keep it in workable order so that it will offer continued satisfaction.

**Disposers** are family members who initiate or carry out the disposal or discontinuance of a particular product after its use.

The first six roles are played by family members in making a purchase decision and the last two roles in the post-purchase phase.

### 4.6.2 Decision-Making of Different Family Members

A family mainly consists of husband, wife and children. It is an important factor which family member is dominant or considered to be the family's head. A family may be **patriarchal**, in which case, the husband or father is recognized to be the dominant member who makes purchase decision. In a **matriarchal** family, mother or wife is the dominant member while in an **equalitarian** family, husband and wife both share somewhat equally in decision making.

#### Dynamics of husband/wife decision-making

Most researches classify family consumption decision as husband dominated, wife dominated, joint (synergetic) and autonomic (or unilateral).

The influence of husband and wife in family decisions is quite fluid and likely to shift, depending on the specific product or service, the specific stage in the decision making process, and the specific product features under consideration. All these factors are also mediated by changing lifestyles, particularly the increase in the number of working wives. Now most of the buying decisions are taken jointly by both husband and wife due to the shift in sex-role norms.

- **Product or service variation** – Products to be used by husbands (e.g., automobile), for them decisions are taken by husbands, whereas products (e.g., food items) concerning wife are wife dominated. The selection of family housing and vacations are joint decisions. Thus joint decision making is undertaken where significant economic outlays are involved. Whereas routine expenditures for items viewed as necessities will be delegated to one of the spouses.
- **Variation by family role structure orientation** – In families with modern sex role orientation, decisions are equally distributed between the two spouses. Increased interaction among family members regarding decision, less disagreement is found between wife and husband. Family role in financial management is a function of sex-role attitudes and education level. If found that women who perceive financial need as the cause of their working, tend to make autonomic decision on various matters of their family finances.

Role structure and decision making are related to culture. Families in less developed or developing countries are husband dominated than families in developed countries where both wife and husband take joint decisions.

- **Variation by stage in decision making process** – In a three stage decision making (Problem recognition, search for information and final decision) model, wives play more dominant role in purchasing most of the products. At all stages, however, there is a great tendency for husband to participate in the decision making where the product item is highly priced and technically or mechanically more complex. However, for a few items, there is shift in decision making from stage to stage. For instance, recognition of the need for a new washing machine is wife dominant, the search for information concerning the potential purchase is largely autonomous (usually by the wife) and the final decision is made jointly by both.
- **Variation by product features** – As for determination of brand, automobiles, and television are husband dominated, whereas washing machine is wife dominated and other products are jointly decided. That is unwise to generalize the relative influence of spouses from one product to another.

### **Decision by children**

Young children attempt to influence family decisions as soon as they possess basic communication skill to interact other members of the family. Older children more directly participate in family consumption activities. For each decision stage, children actively participate except the amount what is to be spent which largely remains the province of parents.

The parent-child relationship as it relates to consumer behaviour should be viewed as an influence vis-à-vis the yield situation, specifically, children influence their parents to buy (yield) the products of their special interests, but in-store observations of purchase behaviour children accompanying their parents also insist for the purchase of products of their remote interest (e.g., laundry detergents). More involved the mother was with her child, the more likely she was not to yield to child's preference. There exists a positive relationship between the number of children's efforts to influence and the yielding of their mother. It has been noticed that children's attempts to influence tend to decrease with the age and mother's attempt to yield increases with the increase in age. These results seem to indicate that child become sincere in their attempts to influence as they grew older and parents also acknowledge their children's increased judgement by acceding more readily their buying requests.

- **Children and television viewing** – Older children and those with more media exposure tend to recall more advertising slogans. Television viewing becomes less with the age. Parents express concern regarding the impact of television advertising on their children. Parents with sound socio-economic background are more concerned with nutrition and quality food advertised for their children, while parents low on socio-

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economic level are more concerned with such advertisements because such advertisements led to family conflict with children and are less concerned that it would promote bad habits in children.

The impact of television viewing varies among children in different age groups. Pre-schoolers do not understand the difference between programme and commercials. It was found that programme targeted to adults have great influence on children mainly small children.

- **Teenage children** – Teen age girls whose mothers are working are more involved in home activities than girls whose mothers are non-working. An impressive number of girls plan or participate in planning of family meals and shop for family's food needs. Boys aged 16 to 19 spend most of their money on movies, entertainment, two wheeler expenses, clothing, while girls of the same age spend money on clothing, cosmetics and fragrances. Teenagers are important market segments because they influence family decision making. Most college students influence the purchase decisions of the family concerning purchase of Television, Computer and automobiles.

Thus, children wield important influence in family's purchase decision and thus constitute an important market segment.

### **Effect of Variables on Family Decisions**

The following are the effects of variables on family decision:

- **Culture** – In every culture, role of husband and wife differs in family decision making. Muslim and Hindu cultures are mainly husband dominating. In the UK and North America, both the husband and wife have equal rights in family decisions.
- **Social class** – In upper and lower social classes autonomy in decision making exists. While in middle class, decision making is joint.
- **Reference groups** – Where husband or wife has social groups, decisions are taken in consultation with relatives, friends or such groups.
- **Stage in family life cycle** – In the Early stage of marriage, both husbands and wives take joint decisions. However, evidences show that joint decision making declines over the lifecycle. Wives in pre-school age children have considerably less independent responsibility for economic decisions than do other wives. In later stages of life cycles, the decisions by wives and husbands are taken independently because of the increased efficiency or competence that people develop over a period of time in taking buying decisions that are acceptable to their spouses. Such competence removes the need for active interaction.
- **Mobility** – It increased shared decision making. Mobility both social and geographic tends to increase the extent of intra-family communications and the degree of joint decision making.
- **Geographic location** – Rural families are husband dominated and urban families take shared decisions.



## **Marketing implications of family decision-making**

A marketer must well understand the family household purchase pattern. Their advertising and selling messages are strongly influenced by family roles and decision making process. How people decide the criteria for the purchase of a specific brand/ product, will be helpful in deciding the advertising and sales messages. However the criteria may vary between husbands and wives, where one of the spouses dominates, in decision making. However where decisions are joint, the marketer may need to design separate message attuned to each party's buying criteria.

Each member in a family uses different media. The marketer must use different channels in such a way to reach the dominant and influential family members. The channel will be selected by the marketers on the basis of the member who dominates the decision within the family. Reaching the buyer may require a different medium while reaching the user, it needs different medium. For instance, wives generally buy their husband's clothings. Consequently, the producers of men's clothing may adopt male dominated channel in order to reach the male, whereas they should carry on another campaign to reach female-dominated segments with specific media and with appeals that are appropriate to both the segments, would be ideal, but this approach assumes a rather large budget. Similar approach is also needed when children are involved in purchase decisions of the family. The marketers should find it necessary to appeal to children as well as to their parents because they are purchasers. As a result, advertisements very often feature people of all ages, with particular emphasis on families.

### **4.6.3 Role and Importance of Family Life Cycle**

The concept of family life cycle has proven very valuable for marketers, especially for segmentation activities. Behavioural scientists, particularly family sociologists, have utilized the concept of family life cycle (FLC) to classify family units into groups.

The family life cycle refers to the different stages that individuals and families go through over time, starting from bachelorhood to marriage (creation of the basic family unit) to growth (birth of children) to family contraction (when children come of age and leave the household) and ending with the dissolving of the basic family unit (through the death of one spouse).

#### **Traditional family life cycle stages**

The following stages are typical of traditional family life cycle progression:

- Stage-I Bachelorhood** – unmarried adult living away from his parents
- Stage-II Honeymooners** – young married couple
- Stage-III Parenthood** – married couple with a child/children living with them
- Stage-IV Post-Parenthood** – older married couple living at home with no children
- Stage-V Dissolution** – only one spouse alive

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The different stages of family life cycle are described below:

**Stage I-Bachelorhood.** The first stage of family life cycle is bachelorhood where a single male or female establishes his/her household apart from his/her parents. In this stage, most members are employed, while a good number are college students living away from their their parents' homes. At this stage of the life cycle, the income of the member is relatively low as the individual is often just beginning a career; however, he has sufficient disposable income to indulge in a somewhat hedonistic lifestyle. These people usually spend their income on rent; clothing; purchase and maintenance of automobiles; and travel and entertainment, among other things.

Marketers target such singles for their products and services. Marketers who are engaged in travel, housing developments, health clubs, sports club and so forth find this FLC stage a lucrative target market for their products and services. It is easy to reach this market segment through some special interest publications.

Many individuals after completing their college life look to start their career. They are just beginning their working life. Here again, the individual is likely to be offered numerous services (example: travelling and dating services). Many other individuals who are already employed go for a mate. When an individual finds someone he/she deems is worthy to be a mate, there is usually a period of courtship, sometimes including a period of living together that is followed by a formal engagement. As soon as the engagement is announced, it triggers an onslaught of marketing efforts from specialized services such as music, photograph, bridal gown, men's formal wear, wedding rings, flowers and honeymoon.

**Stage II-Honeymooners.** The honeymoon stage starts immediately after marriage and goes on until the birth of the first child. This group is better off financially because both the spouses are earning. Now that they have a combined income to spend, they often look at a pleasure-seeking lifestyle similar to that enjoyed by many singles. This stage is also a boom to the marketers who can identify and cater to the honeymooners' needs.

In addition to pleasure seeking, honeymooners have to spend a considerable amount in establishing a new home (example: purchase of major and minor appliances, kitchen utensils, bedroom and living room furnitures, carpeting, drapes, dishes etc.). These types of families have the highest purchase rate for durables. New married couples also seek advice from other married couples about how to set up their households.

**Stage III-Parenthood.** The honeymoon stage is over as soon as the first child is born. This stage is called parenthood stage and is extended over a twenty-year period. Because of its long duration, it is useful to divide this stage into shorter phases: the pre-school phase, the elementary school phase, the high school phase and the college phase. Throughout this parenthood stage, the family structure and the interrelationship of members gradually changes. Furthermore, the financial position of the family also changes considerably. As most wives traditionally stop working, it reduces the family income. If both the wife and the husband are working, they progress in the career and the income increases significantly; however, their responsibilities simultaneously increase because of household expenses, and

expenses on the child's education tend to increase too. The lifestyles of the young couple also change. Time and money previously used on home furnishing, dining out and vacations tend to be redirected to the child's needs.

An increase in the number of births also increases the responsibilities of the young couples in the age group of 28 to 35 years. They are better educated, most affluent and more socially aware. The child often becomes the focus of their lives and they spend money accordingly. As the size of the family increases, new demands are added to the family's requirements; for example: television set, furniture, dishwasher, dryer, etc. Add to that many child-related demands, including baby food, baby medicines, doctor's visits, toys of all sorts, etc. The parents are interested in new products and are susceptible to things they see advertised.

**Stage IV - Post-Parenthood.** In the post-parenthood stage, children leave their parents and old spouses live together all alone. For some old parents, this stage is traumatic while for some others, it is liberating. This is also called the 'empty nest stage' where many parents see an opportunity for a 'rebirth', because now they do all the things that they could not do during their parenthood stage. For the female spouse, it is a time for furthering her education, to enter or re-enter into job market, to seek new interests, etc. For the male spouse, it is the time to indulge in new hobbies. The couple may go for travel, furnish their home, look at other sources of entertainment, etc.

At this stage, couples are best off financially. They have higher disposable income owing to their savings and investment income and limited expenses (no child-related expenses). Thus, these old couples are a good target market for luxury items.

Many people opt for early retirement while their physical being is still healthy. They indulge in many new things after that. These older consumers see television as a major source of entertainment and information. They favour programmes which updates them on new things.

In recessionary time, many elderly couples find their children return home after a long period of separation. There are numerous motivations for the young to return to their nests, such as college life, unemployment, more disposable income, more comfortable lifestyle, separation or divorce, etc. In some cases, the children take the responsibility of looking after their old parents.

**Stage V-Dissolution.** This stage starts with the death of a spouse. If the surviving spouse is in good health, is employed with adequate savings, and has a supportive set of family and friends, the adjustment becomes a lot easier. Also, the surviving spouse generally resorts to a simpler and more economic lifestyle. These individuals generally sell their house to live a luxurious life and spend more money on travel, recreation and health-oriented items.

Those who are retired will continue to have the same medical and product needs as others. During this stage, the individuals have a special need for attention, affection, and security. Marketers at this stage find a rewarding target segment for products and services such as retirement trips, insurance, and social activities.

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### Limitations of the family life cycle

The traditional family life cycle generally do not include all possible life cycle factors. The life cycle factors that are not covered by the traditional life cycle are childless couples; single parents (either mother or father); divorced parents; young widowed parents; couples who marry late in life; couples who have their first child late in life; unmarried couples; unmarried individuals; extended families (grandparents living with their married children or newly married couples living their in-laws); working wives; working mothers, etc.

Family life cycle researchers have not developed a systematic method of dealing with respondents who do not fit in the traditional life cycle. Some researchers add such respondents to the traditional life cycle stages to which they most closely conform. Several researchers have added new stages to the traditional FLC to cover them in the traditional model.

Several recent studies have focused on life cycle situations that are not included in the traditional FLC. On such situation is when a household undergoes sudden status changes (such as divorce, temporary retirement, death of a spouse, new person moving into the household) they undergo spontaneous change in brand preference and thus become attractive targets for many marketers.

#### Check Your Progress

7. What is the role of the gatekeeper?
8. What are the major functions of a family?

### 4.7 ANSWERS TO 'CHECK YOUR PROGRESS'

1. A psychographic study consists of a long list of statements designed to capture relevant aspects of a consumer, like personality, hinting motives, interests, attitudes, beliefs and values. When the study becomes oriented towards a particular product, the consumers have to respond to statements which are selected for the purpose i.e. on products, brands, services, competitive situations etc.
2. The characteristics of a group are:
  - Members engaged in frequent interactions
  - Members sharing common norms and mutual interests
  - The involved people defining themselves as members
  - Others defining the members as belonging to a specific group
  - Members identifying with one another and sharing values
  - Members feeling a joint sense of responsibility
  - Members acting in a unified way towards the betterment of the group
3. Peer groups are informal primary groups, where members are roughly of the same age with not much difference in their status.

4. The four primary elements of diffusion of innovation are:
  - i. Innovation
  - ii. Types of communication channels
  - iii. Rate of adoption
  - iv. Social system which helps frame the process of innovation decision
5. The numerous intrinsic characteristics of innovations that affect the decision to reject or adopt an innovation are the following:
  - An innovation which is an improvement over an earlier generation has a better chance of adoption.
  - An innovation that an individual feels is more compatible with his way of life also has a better chance of adoption.
  - A complex innovation is not adopted easily.
  - ‘Triability’ determines the comfort and ease of use of the innovation. An individual will in all likelihood to adopt an innovation that is easy to use and disregard those that pose any difficulty.
  - ‘Observability’ determines the degree to which a particular innovation’s visibility to others. A more visible innovation is likely to reach more people and generate reactions, positive or otherwise.
6. Opinion leadership happens through word-of-mouth communication. It is the process by which the opinion leader sways others’ actions and attitudes; the others may simply be opinion seekers or opinion recipients.
7. The role of gatekeeper is to control the flow of products into the family. In other words, the purchase is blocked by the individual. Very often, parents act as gatekeepers in making the children’s purchases.
8. The major functions of a family are:
  - Economic well-being
  - Emotional support
  - Suitable lifestyles
  - Childhood socialization

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### 4.8 SUMMARY

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- Psychographics can also be seen as an equivalent of the concept of “culture” as used most commonly in national segmentation. ‘Psychographics is the study of personality, values, attitudes, interests, and lifestyles’.
- The demographic and psychographic lifestyle approaches are highly complementary and work best together. People hailing from the same sub-culture, social class and even occupation follow quite different lifestyles.
- The lifestyle analysis adds a great amount of understanding to a typical demographic description. A person buying a new designer shirt may be 34 years old, married and living in a three bedroom house and having 2 children.

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The lifestyle analysis would help marketers to paint a more human portrait to their target market.

- Cultural and societal variables establish the outer boundaries of lifestyle specific to our culture. The interaction of group and individual expectations and values creates a systematic pattern of behaviour.
- A group is a collection of people interacting together in an orderly way on the basis of shared norms, values and expectations about one another's behaviour.
- In practice, however, many groups are under such pressure to reach targets that processes and relationship issues becomes superficial. For the group to be effective, adequate time needs to be set aside to facilitate issues to be resolved and relationships to be strengthened. Group norms, once developed, should be followed by one and all.
- Friendship groups are categorized as informal groups as they are generally unstructured and without specific authority levels. Seeking and maintaining friendships is a basic drive for a majority of the people.
- People spend more than forty hours a week at their work places; this offers enough opportunity for work groups to influence the members' consumption behaviour.
- These groups have emerged in response to consumer movement. They have been able to influence product design and check malpractices of both manufacturers and retailers. There are two categories of consumer action groups: temporary action group and permanent action groups.
- American sociologist, Everett Rogers defines diffusion of innovations as, 'the process by which an innovation is communicated through certain channels over time among the members of a social system'.
- An individual or a social system/organization selects the type of innovation decision on the basis of whether it is adopted or rejected. There are three primary innovation decisions within the framework of diffusion of innovation.
- The process of diffusion of an innovation consists of five steps. It happens through a series of communication channels over a period of time among the members of a similar social system.
- An adopter category can be described as a classification of individuals within a social framework based on innovativeness. In his book *Diffusion of Innovations*, Rogers states five categories of adopters to evaluate the usage of adopter categories.
- Opinion leadership happens through word-of-mouth communication. It is the process by which the opinion leader sways others' actions and attitudes; the others may simply be opinion seekers or opinion recipients.
- Opinion leaders are remarkably effective at influencing the buying behaviour of other persons or individuals.
- The family is a group of persons related by blood, marriage or adoption who reside together. It is a basic social group and it is consisted of individuals known as Members.

- A family may be patriarchal, in which case, the husband or father is recognized to be the dominant member who makes purchase decision.
- Young children attempt to influence family decisions as soon as they possess basic communication skill to interact other members of the family. Older children more directly participate in family consumption activities. For each decision stage, children actively participate except the amount what is to be spent which largely remains the province of parents.
- The concept of family life cycle has proven very valuable for marketers, especially for segmentation activities. Behavioural scientists, particularly family sociologists, have utilized the concept of family life cycle (FLC) to classify family units into groups.

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### 4.9 KEY TERMS

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- **Group:** It is a collection of people interacting together in an orderly way on the basis of shared norms, values and expectations about one another's behaviour.
- **Family:** It is a group of persons related by blood, marriage or adoption who reside together.
- **Influencer:** Is a person who informs or persuades others in a buying situation. He may also be called as opinion leader in that he exerts personal influence on other members in a family with regard to a specific purchase situation.
- **Disposers:** These are family members who initiate or carry out the disposal or discontinuance of a particular product after its use.

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### 4.10 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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#### Short-Answer Questions

1. What is the difference between demographics and psychographics?
2. List the characteristics of lifestyle.
3. What are the types of social groups?
4. Define reference groups.
5. What are the benefits of reference group appeals?
6. Name the three primary innovation decisions within the framework of diffusion of innovation.

#### Long-Answer Questions

1. 'The demographic and psychographic lifestyle approaches are highly complementary and work best together.' Elucidate the statement.
2. Discuss the various influences on the lifestyle of a person.
3. Explain the consumer relevance groups and their types.

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4. Explain the diffusion process and adoption process.
5. Examine the various adoption categories.
6. Analyse the significance of opinion leadership in the buying process.
7. Assess the influence of opinion leaders in the promotional strategy of a firm.
8. Discuss the marketing implications of family decision-making.
9. Describe the role and importance of family life cycle in marketing.

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## 4.11 FURTHER READING

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# UNIT 5 CONSUMER BEHAVIOUR MODELS AND AUDIT

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## NOTES

### Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Industry Buying Behaviour
  - 5.2.1 Organizational Buying Behaviour
  - 5.2.2 Factors Influencing Organizational Buying Behaviour
  - 5.2.3 Organizational Buying Situations
- 5.3 Models of Consumer Behaviour
  - 5.3.1 Need for a Consumer Behaviour Model
  - 5.3.2 Types of Decisions and Nature of Choices
  - 5.3.3 Different Approaches to Consumer Behaviour
  - 5.3.4 Different Models of Consumer Behaviour
  - 5.3.5 Distinguishing Features of Managerial Models of Consumer Behaviour
  - 5.3.6 Consumer Response
  - 5.3.7 Consumer Behaviour Audit
- 5.4 Consumer Behaviour Studies in India
- 5.5 Answers to 'Check Your Progress'
- 5.6 Summary
- 5.7 Key Terms
- 5.8 Self-Assessment Questions and Exercises
- 5.10 Further Reading

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## 5.0 INTRODUCTION

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The consumer buying process is a complex matter. This process is affected by many internal as well as external factors. Before finalizing a purchase, a consumer makes lots of efforts and passes through six stages. Actual purchasing is only one stage of the process. Also, not all decision processes lead to buys. However, consumer decisions do not always include all the six stages. The stages are determined by the decision's degree of complexity. This is just a general model of the decision-making process and it specifies that the buyer's decision-making process begins before the purchase and it continues following the purchase. This also motivates the marketers to completely focus on the buying process and not just on the purchase decision.

In this unit, you will study about the concept of organizational buying behaviour, different models of consumer behaviour and their evaluation, consumer behaviour audit and consumer behaviour studies in India.

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## 5.1 OBJECTIVES

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After going through this unit, you will be able to:

- Define organizational buying behaviour
- Discuss the models of organizational buying behaviour

- Identify the need for a consumer behaviour model
- Explain the different approaches to consumer behaviour
- State the significance of consumer behaviour audit

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### 5.2 INDUSTRY BUYING BEHAVIOUR

As opposed to individual buyers, a big portion of the market for goods can be attributed to organizational buyers. Generally, organizational buyers are more sophisticated than ordinary consumers. However, they also tend to be more risk averse. There is always a risk going for a new supplier, even if he is seemingly better, whose products are still untested in the market. Very often, the fear of these risks is greater than the chance of potential rewards that may come about if the risk is taken.

Organizational buying involves more people. Often, many people are involved in decision making regarding:

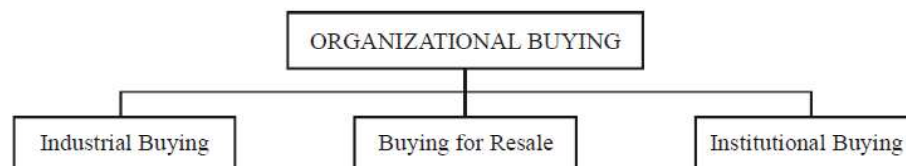
- (a) Whether to buy
- (b) What to buy
- (c) What quantity to buy
- (d) From whom to buy

A technical expert may offer suggestions on what is required. That decision may be approved by the manager. Eventually, the final purchase may be effected by a purchase specialist who spends a lot of time finding out the best deals for the goods that the organization requires.

#### 5.2.1 Organizational Buying Behaviour

This is the decision-making process by which formal organizations establish the need for purchased products, and identify, evaluate, and choose among alternative brands and suppliers.

Organizational buying includes three different buying situations, as represented in Figure 5.1.



*Fig. 5.1 Elements of Organizational Buying*

Though the terms, organizational buying and industrial buying are used interchangeably, they are not the same. Industrial buying is actually a subset of organizational buying.

Organizational buying behaviour process is different from consumer buying process, as the emotional and psychological considerations are absent in the former. However, since organizational buyers are also human, some 'emotion' might be

involved there. Of course, commercial considerations are always given primary importance during purchasing decisions.

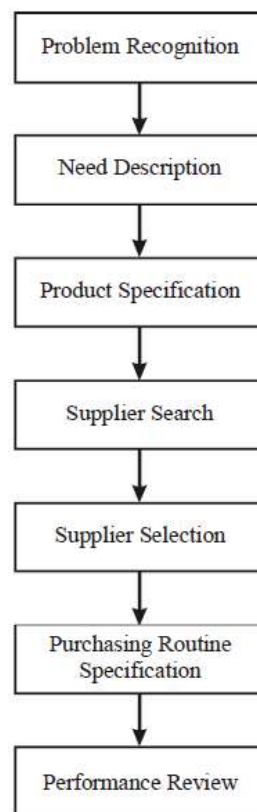
Consumer and organizational purchasing both symbolize a need satisfying process. This need manifests in buying behaviour. This makes it vital for marketers to know buying motives so that they can target their market more effectively.

Organizational buyers have buying limitations due to the budgetary constraints of the organizations they serve. There are also logistical factors (delivery schedules). There is negligible opportunity for 'impulse' buying, as they generally possess a lot of technical and commercial knowledge about their potential buys.

### Models of organizational buying

A model of organizational purchasing decision process is shown in Figure 5.2. It is arguably more accurate in its application than the models for consumer buying behaviour, purchase items necessitate a more business-like approach at the stages of 'need description' and 'product specification' stages. It is common for purchasing executives to visit the supplying organization beforehand, so as to ascertain the quality of the supplying company, as well as its financial and other reliability criteria. The purchase routine specification has instructions for the supplier on the quantities to be delivered and the time period.

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*Fig. 5.2 Organizational Purchasing Decision Process*

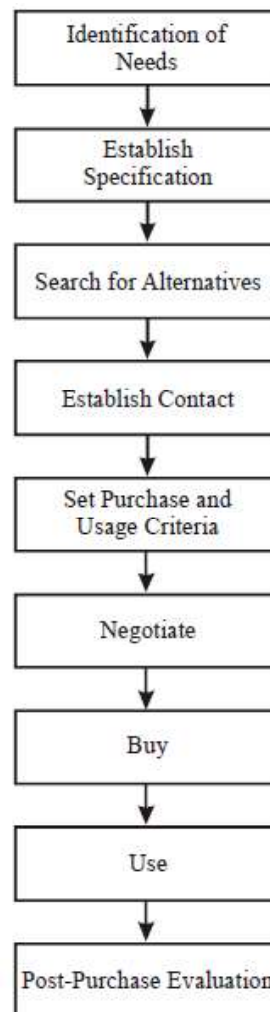
It is obvious that organizational purchasing is more 'scientific' than consumer goods purchasing. There is the existence of reference groups within organizational situations, and there can be influences from outside of the purchasing department.

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It can also be noticed that individual buyers have discreet psychological attributes which may also influence decision making.

A more refined model was developed by Yoram Wind (Figure 5.3). Wind opined that, for marketers, it is imperative to position powerful buyers, as they seemingly have a more direct say in buying decisions at the negotiation stage. For several reasons, lower status buyers are capable of impeding a purchase. In this regard, five power bases have been identified and are detailed as follows:

- Reward ability to offer monetary, social, or psychological rewards to others for compliance.
- Coercive ability to withhold monetary payments or other punishments for non-compliance.
- Attraction ability to elicit compliance from others.
- Expert ability to elicit compliance because of actual or reputed technical expertise
- Status compliance from the ability derived from a legitimate position of power in a company.



**Fig. 5.3** Wind's Organizational Purchasing Model

## 5.2.2 Factors Influencing Organizational Buying Behaviour

There are four broad categories of factors — environmental, organizational, interpersonal and individual — that influence organizational buyer behaviour. Understanding these factors is important to the marketer in order to develop an effective marketing strategy.

### Environmental factors

**Economic environment:** The economic environment for the buying organization is influenced by price and wage conditions, money and credit availability, consumer demand, and levels of inventory in major industry sectors. These factors will decide the availability of goods and services, ability of buyers to finance purchases, and what prices will be paid. Just as for end users, the economic environment will affect institutional buyers' optimism or pessimism and, consequently, their buying patterns.

**Natural or physical environment:** This includes the earth's natural renewable resources (such as forest, food products from agriculture, etc.) and finite non-renewable resources (such as oil, mineral, coal, stones, etc.) weather or climatic conditions, land shapes, and water resources. The level and type of resources available to a marketer for his production purposes depends on them. The physical environment includes factors such as climate or geographical location of the organization. These factors can influence the buying behaviour of organizational members and determine the limitations and options for the buying organization. A supplier's geographical location, for instance, is an essential consideration in whether it is chosen or not. Many organizations prefer local suppliers, and in the international sphere, many buyers prefer to use domestic suppliers wherever possible. Climate and geography also determine the availability of raw materials from forests, farms, or mines for the organization.

**Technological environment:** This involves the application of knowledge-based discoveries, encompassing the related concepts, tools, techniques and processes of science, innovation and invention. The level of technological development defines the different goods and services that are available to the business buyer. Apart from this, it influences the quality of the purchasing process itself through development of better technology and more sophisticated equipment.

**Political and legal environment:** This involves the legislation, government policies and interpretation of laws that require firms to operate under competitive conditions and to protect consumer rights. Political influence could include factors such as trade agreements, tariff barriers, lobbying activities, defence spending, government assistance to certain industries or firms and government attitude towards business generally. Government regulations set standards for what must be bought in order to be included on products (e.g., auto and lawnmower safety equipment). Terms of sale and conditions of competition are also enforced by legal means on organizational buyers.

**Cultural environment:** Culture establishes values that are shared by members and which influence them in their buying behaviour. Large firms, too, have developed

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their own corporate culture which differs in its values, norms, habits, traditions, and customs. The nature of these differing values, styles and behaviour may be evident in the organization's buying behaviour. For instance, companies such as *AT&T* and *Hewlett-Packard* which emphasize technological expertise would look for quality in suppliers.

**Ethical environment:** Buyers and salespersons must exhibit ethical behaviour if they are to be accepted as professionals. Consequently, each group needs to know what is considered to be ethical and unethical behaviour. When selling activities are perceived as unethical by buyers, they may negatively affect choice of supplier as well as hurt the purchaser's career.

### Organizational factors

**Tasks:** The buying task is performed by the organization in order to accomplish its objectives. These tasks may be classified in different ways such as by purpose, level of expenditure, types of goods or service purchased, extent to which the process is routine or not, and extent to which responsibility for purchasing is centralized or decentralized. For instance, buying tasks and decisions reflect the type of organization doing the buying, or its purpose. Producers and retailers have characteristic buying tasks that differ significantly from each other, and these two differ considerably from a third organization.

The organization's goals will influence its purchasing objectives and behaviour. In companies that strive to be technological leaders in their industry, buying tasks are performed in a more scientific, high-quality, engineering-oriented way in order to assure this technological leadership.

**Structure:** Marketers must understand both formal and informal organization in order to effectively sell to a buyer. Several dimensions of the organizational structure are influential in its buying processes. The degree of centralization is a significant factor. A centralized organization will retain purchasing authority in the hands of a relative few who are typically highly placed in the organization.

The organization's formalization is a second factor. A very formalized organization means that stated policies and procedures are strictly adhered to. This greater formality generally results in more people in more organizational units participating in the buying decision. The decision process is also likely to be quite structured and follow written guidelines. When organizations are highly formal, marketers may find them difficult to sell to because the inertia of established patterns may inhibit new ideas and approaches from gaining a foothold.

An organization's specialization is also influential in its buying structure. Where the organization is divided into numerous departments according to functional specialization, more people are likely to be involved in the purchasing decision. The marketer's challenge is to decide which influential people must be reached with the sales or promotion message.

**Technology:** This may influence not only what is bought but the buying decision process itself. While manual systems for directing and controlling the buying process are widespread in the industry, computerization is rapidly taking over. Marketing success requires an understanding of the organization's technology for a product

or a service to fit into that system.

**People:** The people who are involved in the purchasing situation will primarily determine the organization's buying process. The marketer's task is to find those people within the organization who have the authority for a buying decision. They can subsequently try and persuade those people to purchase.

### **Interpersonal factors**

The interaction between people has a significant bearing on organizational buying decisions. As people interact, they may share information and also try to influence the buying outcome for their own interests. This influence of a person on another is interpersonal influence. It frequently takes place in organizational buying within the context of a group called the buying centre.

**The buying centre:** Consumers do not make purchases exclusively on their own. They seek the opinions of reference groups like family and friends. Commercial buyers are the same. They are generally influenced, formally or informally, by a particular group of people within organization. This concept is known as the buying centre.

The buying centre is flexible; it can change in personality and size with each purchase. However, it is important that suppliers develop a deep understanding of the buying centre concept. It can lead to satisfied customers and an increase in sales.

**Members of the buying centre:** Members of the buying centre can have influence over sale or purchase. The trick is to identify them and eventually win their business by providing them what they need.

### **Users**

Users utilize services. They will most definitely give feedback to the planner. An incentive group, for example, is liable to complain in advance if they are being sent to a bad location. The planner responds to this. The user and the sponsor could be the same individual or entity.

### **Influencers**

They affect the decision, even if they do not directly use the service. Committees and boards could be influencers. Identifying these people is difficult, but it can be achieved by interacting at length with the planner.

### **Deciders**

Deciders are different from planners. In several cases, the planner does not make the purchase decision. The planner might simply be there to gather information.

### **Gatekeepers**

They can control information flow. ADMC, for instance, could be an inbound association's gatekeeper. Other suppliers may prefer directly dealing with the gatekeeper.

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### **Buyers**

Buyers can select suppliers, negotiate conditions, and can enter into a contract. Often, this person is a planner, someone who may not be actually using the service himself. Sometimes, the planner can be like a purchasing agent. He may be the one negotiating the price, but he may not be the one who decides on the location, services, program etc.

### **Power relationships**

It is difficult to apply the buying-centre concept because of the often invisible nature of power being wielded in the purchase decision within the organization. Lower level gatekeepers may have a much more significant influence than their corporate rank would indicate. The marketer must be careful, however, to accurately assess the role and power relationships that may exist in a buying centre.

### **Individual factors**

Participants in the organizational purchasing process bring to the situation their thoughts, feelings, and actions. The following psychological factors need to be considered in this context:

**Motivation:** It is very difficult to assess the motivations of buying-centre members accurately. There are both task-related and non-task related motives. The former includes needs like product quality, service, price, and delivery; or getting the right product from the right source for the right price at the right time. These are relevant to the problems that come before the buying decision. Non-task-related motives have variables like potential for promotion, job security, salary hike, and so on. Generally, these pertain to the individual's personal advancement, recognition and desire to reduce uncertainty or risk. The marketer must be prepared to effectively show how buying-centre members may attain their goals.

**Perception:** The perceptions of organizational buying center members are vital to the marketers' development of potent strategies. Two dimensions of perception are important: perceptions of the selling company's people and products, and perceptions of their role in the buying centre's decision process.

**Learning:** This happens as buyers make decisions that satisfy them, and this reinforcement increases the likelihood of making the same decision in similar future situations. The continual reinforcement of a decision leads to a habit, which is a relatively automatic response. Organizational buying becomes habitual, which helps to simplify the decision process. The development of a routine purchasing process results in increased reliance on known suppliers to meet the organization's needs for present product items and for information on new products. Such buying decisions help the organization to reduce risk of failure by sticking with known sources.

### **5.2.3 Organizational Buying Situations**

Planners make a purchase under three different situations. Each of these situations will influence the process of organizational buying. The three situations are:



- Straight rebuy
- Modified rebuy
- New task purchases

### 1. Straight rebuy

A straight rebuy might be uncommon in meeting planning. The planner simply resubmits an order, under this situation. Here, the planner is under minimal stress. The supplier turns into an order taker. Should the event be successful, the planner reorders.

But it is a great achievement when a salesman gets a planner into a straight rebuy process. This requires communication and standardization.

### 2. Modified rebuy

This is much more typical. It could be a modified rebuy if a planner has an educational retreat every year. The planner has the same format, but the location, need for equipment, and the number of attendees change. Under a modified rebuy, the planner purchases products or services that are altered for new conditions. A straight rebuy may leave little chance for changes that result in higher volumes. However, the planner is probably more willing to listen to suggestions during the modified rebuy.

### 3. New task purchases

Both the planner and supplier must approach a new task purchase with caution. The planner will not commit funds to the venture immediately. Consequently, the supplier acts as a guide. They should also offer information, instead of simply asking for the order. The planner will want to look at more possibilities. Also, the planner may not be aware of the possibilities that the event may hold.

The suppliers should take more steps in order to sell his services, as this offers an excellent opportunity to develop a relationship and future business. A new task planner would do well to seek out advice from a supplier. If the advice is reliable, a strong bond is developed.

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## 5.3 MODELS OF CONSUMER BEHAVIOUR

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The above discussion of limitations of customary literature on consumer behaviour in management has paved the way for consideration of the models of consumer behaviour and various approaches to consumer behaviour on which the different models have been developed. The limitations of the scope of all such models will have to be kept in view for a more comprehensive perspective and understanding.

### Concept

In a generic sense, a model of consumer behaviour may be defined as the model that deals with the decisions of consumption made by decision-making entities and it may fall in any of the different categories of models. The model of consumer behaviour furnishes an overview or a broad perspective of purchase decisions of

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consumers with respect to the factors that govern the choice of purchases, mechanism and process of finalization of decision and outcomes of the decisions. Thus, the model has to encompass the process of planning the purchase, execution of the plan and the after-effects of consumption. The model of consumer behaviour is, thus, both *ex-ante* and *ex-post* in orientation. This is in tune with our discussion of the differences between the concepts of *ex-ante* and *ex-post* demand, though management experts have overlooked this distinction. But, all decisions of consumption may not constitute a part of consumption model. Ideally, a model of consumer behaviour should focus on assumptions on which it has been formulated, it has to incorporate definitional, balancing and structural variables and their inter-relations. Relations based on definitions, assumptions and certain conditions may be represented by identities. Balancing relations are also expressed through identities. All these together will constitute the base of structural equations. A structural relation may be expressed through structural equations. Any model that overlooks any of the above will not properly explain consumer behaviour.

### 5.3.1 Need for a Consumer Behaviour Model

A model is required to be formulated if the consumer has to make a choice from the different options that are available. If the decision unit has no option to choose from, leaving a consumer either to take or leave what is available, then it is called Hobsons' choice-based decision. An example is a monopolist electricity supply company in a city. The consumers have no choice but to buy power from it at whatever price it is offered. That is why users have to suffer long supply cuts in domestic power in India. Similarly, since there is no direct railway line between Delhi and Bulandshahar, a district headquarter in Western U.P., the passengers have no choice but to use road transport. Such cases are few but not rare where monopoly prevails. Another example is that of a market where all the firms produce a homogenous product. The consumers do not have any choice of a brand in such cases, since the purchase of product of any firm does not make any difference to the physical and perceptual attributes of the product. So, the search for information about brands is eliminated in all such cases. The models of consumer behaviour, therefore, do not deal with the *no choice decisions*. They deal with the consumer's decisions relating to the choice(s) to be made from multiple options under the given constraints. This is a generic definition which encompasses models of consumer behaviour relating to different varieties of decisions. But, this definition eliminates the large segment of consumer's purchases. For example, the case of perfect competition and monopolistic competition is eliminated if, in the second case, the consumers are aware that the product differentiation is just cosmetic.

The consumer's decisions are conditioned by the number and nature of options they have. Decisions made in the past may also affect current consumer's decisions.

'The model of consumer behaviour has to encompass the inputs that go into the decision-making, the process through which the decision is made and the outcome or output emerging from the implementation of purchase decision. The model has also to link the cause of decision to its outcome'. So far as the cause is concerned, it has already been explained that the awareness of the need awakens

the desire; the desire leads to the experience of want which finally leads the consumer to make the decision to purchase the good. But, the implementation of purchase decision in several cases is preceded by the collection of information, the outcome of the processing of information leads to final purchase. The actual purchase is accompanied/ followed by satisfaction of the want which yields utility or satisfaction. But the utility manifests itself in a variety of forms.

The above description furnishes the broad description of elements of a model of consumer behaviour.

### 5.3.2 Types of Decisions and Nature of Choices

The basis of classification of purchase decisions may be the nature and price of the product, frequency of purchase and the intensity of effort involved in decision regarding the exercise of the choice in favour of the preferred option. Broadly speaking, the number of options available to the consumer, nature of the product, e.g., durable or perishable, price and quantum of expenses to be incurred on purchase, directly affect the purchase decisions. The effort and hence, time involved in decision-making depends directly on the amount of (i) information required to be collected for the knowledge about the different options available and, (ii) deliberation to be made that is involved in the evaluation of different options. Time and effort in deliberation, in turn, depends on (a) the variety of the chosen good/ service (b) the number of sources of supply (c) brands or quality aspects (d) offer prices at different establishments of supply and, (e) amount of expenditure involved in the purchase.

No purchase decision requires so much time and effort that it leaves the decision unit with no time and energy to do anything else. If it were so, only one decision would be taken, which would be based on such an exhaustive search of information and an extremely thorough deliberation as would rule out any other decision. 'Such decisions would be exhausting but not very pleasurable to make. The effort may be too tiring and exhausting to leave the decision-maker pleasure free. Similarly, no purchase decision is so routine as requires no time or effort'. Besides, all consumption decisions will then be monotonous and hence, boring. Such decisions also do not furnish much novelty or pleasure. For example, even the daily or weekly purchase of vegetables needs some deliberation and effort to gather information about the price of the day, quality and the variety, though the time and effort may not be very high. Actual decisions lie between these two extremes in so far as time and effort in information gathering and, deliberation involved in decisions range from more than zero to less than infinity.

#### Single and multiple options decisions

An absence of choice eliminates the need for information gathering and its detailed consideration. Single option decisions are said to fall in the 'no decision' category. This view is wrong. Even in the absence of choice of an alternative/substitute product or an alternative brand, say in a monopolist's market, the consumer does have choices. The consumer makes a choice between buying or not buying, buying more or less quantity or/and waits to buy at a low price. To dub such a choice as Hobson's choice is neither logical nor practical.

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The other category of choices is of multiple options which offer a wider range of choices. The nature of decision depends upon the nature of the product, price, total expenditure involved and the frequency of purchase. Decisions and the decision process differ between goods.

The first layer of classification of choices is two-fold; the first being the choice of a solitary option which relates to 'take it or leave it' category. Single option offers no choice. It does not involve the sacrifice of an alternative when choice is exercised in favour of the given option. Thus, no opportunity cost is involved in such decisions. Besides, the absence of choice eliminates the need for information gathering and its detailed consideration. The only choice is either to purchase or not to purchase. Single option decisions are put in the *no decision* category (Schiffman and Kanuk, 2004). This view is faulty. Even if the consumer does not have the option regarding the choice of an alternative/substitute product or an alternative brand of the particular product, say in a monopolistic market, the consumer still has the choice to purchase more or less quantity. That is why the monopolist is never able to control both the quantity of demand and the price of the product. Similarly, in the auction of antiques and rare items, each product is atypical which leaves no choice for the consumer except to buy or not to buy it. Another option is to alter the amount of bidding. Even then, the consumer has to make a choice between buying or not buying, buying more or less quantity and buy at low or high price. The view to dub such a choice as Hobson's choice is, therefore, neither logical nor practical.

The second category is of multiple options which offer a wider range of choice. The decision is to choose from multiple options available to the decision units. Multiple choices also fall within a broad range of categories that impinge upon the nature of decision required to be made. The nature of decision depends upon the nature of the product, price of the product, total expenditure to be incurred and the frequency of purchase. Then, there are the process, stages and steps in the process which the decision has to pass through. All these factors affect the nature of decision and type of choice to be exercised. Consequently, the decisions and the decision process differ between the goods.

### **Types of goods and consumer choice**

Goods are of four types. There are high-priced consumer durables that are not purchased frequently. The second group comprises low priced consumer durables which are purchased more than once but not frequently. The third group is of semi-durables that are used over short periods and are periodically purchased. The last category is of goods of daily use; these are low-priced and frequently purchased. The frequency of purchase may range from once a day to once a week or month. There are goods one tends to acquire for the mere thrill that possession of these goods provides. Some of the goods in the first and last category make the buyer feel conspicuous among fellow human beings. Rare paintings, coins, stamps, antiques, etc., are examples of such goods.

Other than this, there are goods or services that furnish experiential delight, entertainment and memories to cherish. The purchase of such goods involves awareness, research and acquisition. Most of these goods are sold in auction

markets. These goods fall in the category of flex price goods whose prices depend largely upon expectation, stock and demand. The goods in this group may be highly priced luxury cars, wall size flat televisions and full size state-of-the-art freezers. A visit to the Taj, picnics, visits to museums, tournaments and foreign travel may also fall in this category. The demand for such goods is stimulated by the importance attached to the experience or having the feeling of distinction by possession or for the sake of memories that may be cherished for the future. Goods of the above-mentioned two categories cater to the wants associated with hobbies, recreation and some of these also furnish snob value, making one feel distinct or being through some unique experience. These are meant for display to others.

The decisions with respect to purchase of each type of the goods discussed above are made on different considerations. Naturally, the information base and decision process also differ from category to category.

### **Pioneering and exploratory decisions**

Some of the consumer's decisions fall in the novelty, exploratory and pioneering category. Such decisions have no backing of past experience, tradition or even set criterion/criteria to guide the decision-making. If the product has been made and offered for sale in the country for the first time, no competing brands shall exist and the consumers will have nothing to guide them except the advertisements they might encounter or the demonstrations organized by the producer and consumers' own gut feeling to have the thrill of being a pioneer, explorer or peer/leader. Naturally, such decisions are made on a limited information base and consumers may associate a certain degree of risk with such decisions. Only the risk-seeking explorers of unknown and rich consumers are likely to make such decisions. But, the decisions will furnish the thrill of being among the pioneers, explorers and innovative leaders representing 'elitists with distinctive preferences and tastes.' Novelty of the product and having the feeling of being in an exclusive category of limited number of buyers in the initial stages make one feel like a celebrity.

### **Rare or unique decision**

Some decisions are made once or twice in a lifetime. These decisions may, therefore, fall in the category of rare or unique decisions. Decisions with regard to education or marriage of children are made only once or twice, depending upon the number of children one has. Buying the rarest of the rare items such as a voyage to the moon, which will cost a fortune, may be the decisions of this type.

### **Choice-based on extremely large options**

If there are a lot of options, they will make the gathering of complete information an exhaustive effort, consumers will be required to first reduce the range of information to a finite sub-set of distinctive and relevant information. But they may have no precedents or criteria which they may use, such consumer's decisions belong to the category of 'Extensive Choice Options' or 'Extensive Problem Solving Options.' In short, these are described as EPS cases. Even the number of brands may either be numerous or these may be similarly positioned in the market, making the exercise of choice tricky and involved.

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### **Limited information choice decisions**

In extensive problem solving cases, the search for information is designed to finalize choice to be exercised on the basis of distinctive features of the product or the product provider.

In such cases, consumers are familiar with the brands and the choice is limited only to these brands. The purchase criteria, based on evaluating the available products, have also been already evolved. Still the consumer may not have finalized a definite preference for a particular product or brand. For this, the consumer may have to gather more information than what he already has. This search focusses on the finalization of the choice to be exercised on the basis of distinctive features of the product or the product provider. Such choices generally relate either to an oligopoly market, where few producers of highly differentiated products compete among themselves but their products are similar, though not homogenous. Such cases also arise in the purchase of high priced consumer durables for which the consumer will like to know more about the different models of different brands, price differentials of different models and brands, quality of after sales service and discount provided by the different distributors. In case the finance option has to be used by consumers for the purchase of such goods, they have to find out distributors or brands/models that provide this facility. The consumers may also search for sales outlets offering special schemes/discounts, especially on the occasion of festivals or important days like republic or independence days.

### **Routine Response Based Behaviour (RRB)**

Humans are slaves of their habits; they are prone to influence of external forces and generally avoid frequent changes in behaviour. Consumption of particular products/ services or brands over a period of time make the consumer habituated or develop the taste for the same with the results that he will generally not bother to move to some other brand or product. In such cases, the consumer will gather additional information only under a very strong external stimulus such as a high profile ad campaign of another product/brand, recommendation of friends or because he wants to try something new. In such cases, some relevant information may be needed to goad the consumer to switch over to an alternative. Cold drinks, soaps and cosmetics, toothpaste, etc., may be cited as some examples of such goods. Without an external stimulus, the consumer will continue to purchase the same product in a routine manner as he has done in the past.

### **Least information based purchases**

In case of low-priced goods of daily need/use such as cornflakes, milk, vegetables, fruits and grocery products, the consumer makes a limited search either in the market or even at a particular selling outlet. Often, the sales personnel furnish information about competitive products to facilitate on-the-spot decision by the buyer.

### **5.3.3 Different Approaches to Consumer Behaviour**

There are three distinct approaches to analyse consumer behaviour. These are: economic approach, psychological approach and managerial approach. All three approaches are briefly discussed hereunder.

### **(i) Economic approach**

Economists were the first to initiate and pioneer the study of consumer behaviour. In the second half of the 19th century, a distinct branch of economic theory emerged which came to be known as the theory of consumer behaviour or theory of consumption. The initial spark ignited continuous search for more and more satisfactory explanation of consumer behaviour. But the economists concentrated on evolving the theory of consumption rather than the mechanism of individual consumer's decisions. In the first quarter of the twentieth century, Lord Keynes formulated the first theory of aggregative or macro consumption decisions. Subsequently, the theory has been enriched by the analytical contribution of a host of economists. Thus, economic approach to consumer behaviour is exhaustive in so far as it covers both micro and macro level consumption decisions. During the course of development of consumer behaviour theory, economists like Pareto, Edgeworth and Johnson attempted to bring in new facets of behavioural analysis. Hicks and Allen were the first to formulate the behavioural theory of consumer behaviour. They moved away from one to two and multiple commodity purchases. This is broader than what had been achieved by psychological or managerial approach to consumer behaviour. This was further enriched by Samuelson.

### **(ii) Psychological approach**

The focus of the psychological approach is on the inter-relations between psychological phenomena associated with psychological impulses behind purchase decisions. These phenomena basically embody individual responses to various stimuli some of which are encompassed within the motivating forces and some of which are external to the persona of the decision units.

Psychological approach to consumer behaviour has obviously been developed by psychologists who have either entered into management or who have an abiding interest in the subject though they essentially belong to the discipline of psychology. Naturally, the focus of psychological approach is on the inter-relations between psychological phenomena associated with the psychological impulses behind purchase decisions. These phenomena embody individual responses to various stimuli some of which are encompassed within the motivating forces and some of which are external to the persona of the decision units. Incidentally, non-psychological impulses working externally have not been distinguished in psychological approach. For example, if there is a sudden change in price or conditions of supply leading to lower availability or the launch of a new product, the consumer's responses shall be different. The psychological approach is static in its framework of analysis. This approach has mainly concentrated upon the process of reactions evoked by external stimuli that are reflected in traits of purchase decisions of consumers without specifying the nature of the differences among the different types of stimuli and their impact. The process of decision-making has been the primary concern of this approach.

### **(iii) Managerial approach**

The managerial approach to consumer decisions has largely been the concern of marketing experts. Naturally, they have focussed on such traits of consumer decisions

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that impinge upon the promotion of the marketing of their products. Obviously, the marketing managers are the main clients of literature relating to consumer behaviour in the business world. Hence, marketing experts have concentrated on the analysis of such traits of consumer's choice as relate to the choice of brands of the products, keeping the interest of their audience in view. For this purpose, the research outcomes of psychologists have been found to be of limited use. But, there is a natural blending of managerial and psychological concerns under this approach.

### 5.3.4 Different Models of Consumer Behaviour

Now we consider models of consumer behaviour based on three different approaches: economic models, behavioural models and managerial models of consumer behaviour. It should be noted that there may be a thin line that distinguishes psychological from managerial models.

#### 1. Economic Models of Consumer Behaviour

We shall, however, evaluate several critical observations that management experts generally make about these models so that we have a balanced view and proper perspective to understand and appreciate the issues under debate.

Micro consumer behaviour models were first formulated by the utility school of thought. Significant contribution was made by Austrian, Italian and English economists. Micro consumption models focus on shifting the emphasis from supply to demand side of the equation to furnish a comprehensive and complete view of the generation and utilization of scarce resources with special reference to product and resource pricing. An objective, guiding decision is assumed to be the maximum gain from allocation of limited resources among different uses (wants) or minimization of cost of the given level of gain to the consumer within the specified constraints. Macro consumption models have been inspired by Keynes, so these are mostly post-Keynesian. Micro consumption models focussed on shifting emphasis from the supply to the demand side of the equation to furnish a comprehensive and complete view of the generation and utilization of scarce resources with special reference to product and resource pricing. These models assumed tastes and preferences, number of consumers, income and prices of goods other than the good(s) under consideration as given exogenously. The objective has been defined to be the maximum gain from the allocation of limited resources among different uses (wants) or minimization of cost of the given level of gain to the consumer within the specified constraints. The two-fold focus of analysis was the (i) optimum pattern of allocation of given income among the various wants under the given constraints of tastes, preferences, income and prices (ii) determination of inter-relations between price, income and quantity and, (iii) enunciation of a general theory of demand or consumer behaviour. This is in contrast to the formulation of Loudon and Bitta (P. 600) and Schiffman and Kanuk. Obviously, the emphasis was on the factors that influence the consumption decisions with regard to the (i) proportion of income to be spent on current consumption, (ii) choice of goods and their brands, (iii) quantities to be purchased and, (iv) sale's outlet to be patronized.



### **Critical observations on economic models**

One of the criticisms of economic models is that these models have concentrated on a small part of consumer behaviour. The act and purchase of consumption is supposed to be only a tiny part of consumer behaviour, which has been an exclusive focus of micro consumption models. Besides, these models also overlooked the process(es) through which tastes and preferences are formed and the factors that lead to the arousal of needs and creation of wants. These are taken to be exogenously given parameters (for elaboration, See Loudon and Bitta). Obviously, the economists concentrated on the development of the theory of consumer's purchase decisions rather than its mechanical part. Simply because management has concentrated almost exclusively on the psychological facets of the formation of tastes and preferences and the mechanism through which decisions are made, they have not been able to come forward with even one general theory to explain why consumers purchase more of some and less of other goods. In other words, there is no theory of demand which management science can claim to have propounded, a few consumption models formulated by the management experts notwithstanding. For this, they have to depend upon the theories propounded by economists.

Economic models concentrate on a small part of consumer behaviour. But, assumptions of any theory have to move focus away from reality to create a rarefied state in order to concentrate on minimum basics of the phenomenon under consideration. Assumptions are the instruments of abstraction from details for compressing vast reality into understandable miniscule phenomenal aspect(s) that is of immediate concern. The models of consumer behaviour, developed by management experts, also make several explicit and implicit assumptions but their realism or unrealism is not challenged. The main function of theory and models is to furnish an explanation of the phenomenon and the way it is rather than to furnish a description of the mechanism or process from which the outcome emanates.

Almost all the criticisms of economic models of consumer behaviour are based on assumptions that these models have used. For example, Loudon and Bitta, basing their view on March and Simon, aver that, 'although the micro model has had an important influence on our understanding of consumers, it provides an extremely limited explanation of consumer behaviour, with major deficiency being its highly unrealistic assumptions. For example, critics of economic models opine that consumers frequently strive for acceptable and not maximum satisfaction.'

As we have explained, no theory and the model that encompasses it can replicate reality in its total diversity and complexity. Hence, theory needs assumptions to eliminate the inessential components by simplification through abstraction. Abstraction is partly achieved through assumptions. Naturally, the assumptions of any theory have to move away from reality in order to create a rarefied state which facilitates focussing on minimum basics of the phenomenon under consideration. Assumptions are the instruments of abstraction from details for compressing the vast reality into understandable miniscule phenomenal aspect(s) that is of immediate concern. Assumptions are both explicit and implicit.

No theory or model can be formulated without the use of assumptions. For example, the law of gravitation implicitly assumes that any matter above the surface

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of the earth should not be moving at a velocity higher than that of the gravitational force. This is what Nicaido (1959) observes in this connection, saying that 'bodily motions on earth are always accompanied by friction due to air resistance and other factors. There is no motion without friction. However, it is well known that the essence of dynamic laws of motion was brought to light by examining laws of motion without friction as accomplished by Galilei and Newton. This enables us to study laws of motion in general situations. Economic theory may follow an approach that is formally analogous to it.'

The models of consumer behaviour, developed by management experts, also make several explicit and implicit assumptions but their realism or unrealism is not challenged. Loudon and Bitta, however, in their evaluation of the Nicosia model observe that 'the assumption that the consumer begins the decision process with no predispositions regarding the involved firms is quite restrictive.' They still do not call it unrealistic, though the assumption is more unrealistic than the assumption of rational behaviour, since consumers do have biases towards the particular brand(s) of the given product. Incidentally, in mid thirties, Chamberlin highlighted the fact that the producers create bias for their own product through product differentiation which is supported by selling costs such as expenditure on advertisements. Obviously, his theory of monopolistic competition has taken cognizance of the facts of life much better and before the entry of management science into the field. But Nicosia model denies this reality.

Loudon and Bitta, unrealistically expect a theory to furnish '(i) description, (ii) prediction, (iii) explanation and (iv) control' (P. 599). A theory is a concise and precise statement of causal relation that characterizes a given phenomenon; a theory cannot run into several pages, but its description may run into several pages.

The main function of theory is to furnish an explanation of the causal relation underlying the functioning of the phenomenon. The main function of theory and hence models, is to furnish explanation of what the phenomenon is and why it is the way it is rather than to furnish the description of the mechanism or process from which the outcome emanates. For example, one of the three Newton's laws of motion postulates that 'there is equal and opposite reaction to every action.' It does not explain the mechanism of the operation of either action or reaction.

The explanation of operational mechanism may require a separate law/theory. The law also does not provide the concept of action or reaction. But according to Loudon and Bitta, 'a theory is an interrelated set of concepts, definitions and propositions that presents a systematic view of some phenomenon. It presents a logical viewpoint that is useful in understanding some process or activity'. What is the type of theory that Loudon and Bitta are talking about? Concepts and assumptions are only the bricks and mortars of the foundation of the theory but these themselves are not the theory. Besides, postulates, propositions, hypotheses and laws are the preliminary versions of theory. Each of these has the potential to graduate into a theory. It is this faulty view of theory which probably leads Loudon-Bitta to level the type of criticisms they have against economic models of consumer behaviour. Another clue to their stand on economic models of consumer behaviour is provided by the following, 'These unrealistic assumptions. . . .but they certainly are not as useful in understanding how actual consumers behave in specific purchase

situations of concern to marketers and others'. This raises a fundamental question whether a consumer behaviour model should furnish an explanation for the understanding of the concerns of consumers or distributors or marketers or raw material suppliers for the production of goods they buy or the basic objective of such models should be to enhance understanding of the subject of consumer behaviour. We cannot agree with such perceptions about the models of consumer behaviour. Such models that focus on the concerns of producers or marketers may be designated as the models of marketing or producer's models rather than as models of consumer behaviour. The consumer behaviour model has to focus on the concerns of consumers and the factors that lead them to behave the way they actually do.

Another limitation pointed out by Loudon-Bitta is that the economic model concentrates only on the actual act of purchase and overlooks the various activities of consumers both before and after the purchase. We may point out that routine purchases of articles of daily use are hardly preceded by any considerable activity, while high priced consumer durables are both preceded by search, collection and evaluation of information and followed by the acts of repairs and maintenance. But, repairs and maintenance constitute an altogether separate activity which should not be clubbed with the purchase activity. The planning stage of purchase is covered under the analysis of *ex-ante* demand. Besides, a lot of research has already been conducted about the purchases of consumer durables which need maintenance expenditure. Loudon-Bitta overlooked the distinction between the concepts of *ex-ante* and *ex-post* demand. Besides, they have also overlooked the fact that under *ex-ante* demand analysis, consumers evaluate utility and price to be paid.

Loudon-Bitta point out that economic models concentrate only on actual purchase; these models overlook various activities of consumers both before and after purchase. But routine purchases of articles of daily use are not preceded by any considerable activity; but high priced consumer durables are preceded by search, collection and evaluation of information and followed by acts of repairs and maintenance. Repairs and maintenance constitute a separate activity, which is not to be clubbed with purchase activity. Planning of purchase is covered by analysis of *ex-ante* demand.

The managerial models of consumer behaviour totally overlook the savings behaviour though the allocation of income between consumption and savings is the first activity of income allocation at the household level.

One may ask the question why do we so extensively quote the views of Loudon- Bitta? The reasons are that (i) Loudon-Bitta's book on consumer behaviour is extensively used both by students and teachers (ii) They have articulated the general view about economic models that is prevalent in literature.

The other critical observations in this chain are based on the assumptions of so called classical theory of consumption. The critics observe that the classical economic theory of consumer behaviour assumes that the consumers (i) buy in a perfectly competitive market (ii) consumption decisions are based on rational evaluation of conditions that the consumers are confronted with and, (iii) it is a model/theory of purchase decisions of an economic man.

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Adam Smith, Ricardo and Mill concentrated on growth or development of the nations. They took demand or consumption to be the datum, since they trusted the validity of Say's Law of Markets that supply creates its own demand. Therefore, they did not feel the necessity to analyse consumer behaviour. So, there is nothing like a classical economic theory of consumer behaviour. For the elucidation of this view, one may examine the classical price theory and the theory of wages both of which offer an exclusively supply side view of the problem. The demand for labour and the demand for goods do not enter into their equations. Secondly, the concepts and theory of monopoly, duopoly, oligopoly and monopolistic competition have been enunciated by economists. The theory pertaining to such markets focusses on the determination of price under different supply and demand conditions. Obviously, the range of choices and decisions of the consumers differ according to the conditions of supply that obtain in such markets. Then, how does one infer that the economic models focus exclusively on perfect competition? Besides, an economic person is an entity who is guided and governed solely by self interest and economic benefits. No economist incorporated this assumption in formal writings. The inference has been based on the title of Adam Smith's book *A Study into the Nature and Causes of Wealth of Nations*. He assumed that if every individual pursues his best interest, then the best interest of the society as a whole shall be realized. This proposition was meant to portray a minimal role for the state in economic affairs under the policy of *laissez fair*. But, it was misconstrued by such philosophers and thinkers as William Morris and Carlyle who dubbed economics as a dismal science. Subsequent generations of economists, especially Pigou and Alfred Marshall (1892), shifted emphasis from wealth to welfare and from activities of state to human behaviour.

Let us now examine the assumption of rationality. Critics opine that under the assumption of rational behaviour in economic sense, the consumers should have (i) the knowledge of all the products available in the market (ii) ability to estimate the precise cost and benefit of each alternative and, (iii) ability to identify the best among the available options. In this context, Schiffman and Kanuk observe that 'Realistically, however, consumers rarely have all of the information or sufficiently accurate information or even an adequate degree of involvement or motivation to make the so called 'perfect decision.' In this quote, take the case of motivation first. Is motivation not an essential part of Engel-Blackwell-Miniard model? Now consider 'adequate degree of involvement.' Does Engel-Blackwell-Miniard model not require the consumer's full involvement in Extensive Problem Solving case of their model of consumer behaviour? Why do Schiffman-Kanuk not criticize the Engel-Blackwell-Miniard model? It depicts dual criteria for judging economic and managerial models. Rationality here stands for subjective rationality of an individual whose emotionality is also a part of his rationality. It differs from objective rationality.

We shall now evaluate all three observations. One would like to know which markets are the critics referring to in the first of above observations-the global market, national, market regional market or the local market and what is the concept of market that they use? We take up the second question first. Market, as has been defined by economists, does not refer to a particular place; it rather refers to a 'state in which buyers and sellers are in close contact with each other to sell and

purchase a given commodity.’ (J K Mehta, 1954). Obviously, each product corresponds to one given market. When the buyers and sellers are in close (direct) contact with each other, is it difficult either for buyers or sellers to have relevant information about the given product?

The situation alluded to above by the critics is, again, a characteristic of only perfectly competitive market which is an ‘idealized/theoretical state.’ It furnishes a norm or standard with which the actual state of real markets may be compared. But, the economists have extensively analysed the role of demand in different types of markets. The main forms of markets are monopoly, monopolistic competition, duopoly and oligopoly. In each of these markets, number of sellers and their products are limited.

The second observation revolves around the evaluation of costs and benefits. What is the cost that the consumers incur in the purchase of a product? The answer is simple and straight-forward. The direct cost of any product is its price to be paid by the consumer. When a finite number of brands/substitutes are on offer, consumers do know their prices before the preferred product is purchased. Indirect cost is defined as the opportunity cost which is the cost/price of next best alternative that has not been used but could have been used if it rose in the preference scale of the consumer. It is obvious that the knowledge required to be possessed by consumers is about a narrow range of goods/brands and not about all the goods under the sky. Monopolistic competition and oligopoly emphasize product differentiation by various means, including branding.

The last observation is also misplaced. Under the cardinal utility approach, consumers are assumed to know marginal utility of the product that they purchase at any given time. The Law of Equi-marginal Utility stipulates that the goods that a consumer purchases at any given time shall furnish maximum utility if the ratio of marginal utility of the goods and their corresponding prices are equal. But, the number of goods is not infinitely large as each consumer purchases only finite quantities of limited number of goods. Under the ordinal utility approach, consumers are assumed to consider alternative bundles of two goods or one product and stock of money. It is also obvious that the consumers are assumed to know only relative rank orders and not precise or accurate information. Each individual is aware of his own preferences or desires for which outside information is not required.

Besides the above criticism, Simon (1965) dubbed the so called classical economic model of ‘an all rational consumer behaviour’ as unrealistic on the following grounds: people are conditioned, guided and limited by their (i) current skills, habits and reflexes (ii) values and objectives and (iii) current knowledge. Naturally, consumers make decisions in an imperfect world in which maximization of outcomes of decisions with reference to such variables as price, quantity, marginal utility or indifference preferences is not possible. March and Simon (1958), therefore, conclude that the consumers are either unwilling or unable to undertake extensive deliberations for decision-making, they rather prefer a ‘satisfactory decision’ or a ‘decision that is good enough.’ If we agree with these observations for the sake of argument, then the question is what do we mean by a ‘satisfactory decision.’ What distinguishes ‘satisfactory from unsatisfactory’ and ‘adequate from

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an inadequate decision'? Naturally, one needs some parameter(s) or criterion to judge the decisions made. What are these parameters? Do these observations imply that the consumers take consumption decisions irrationally? Will any consumer ever be willing to pay the maximum price for minimum benefit? Definitely, none of the critics would reply in the affirmative. How do consumers set the goals before purchases? The economist's answer is that the prices which obtain in the market and income of the consumers constitute these constraints. The other parameters are household size, tastes and preferences, hobbies and habits, peer group's influence, snob value and the like; all of which push and pull consumers to make their decisions *which are the best under given conditions*. Besides, if the view of March and Simon is accepted, then the extensive problem solving models, propounded in management, will also fail the above criterion. The best is relative and does not mean the absolute best. This may also be the second best. Economists have also propounded the theory of the second best.

These analysts have overlooked all these facets in their observations. In the above context, we have to bear in mind that theory or model does not take into account more than one or two/three core variables into account, otherwise it loses its focus without which it cannot qualify as theory or model.

Our rebuttal of some of the criticisms of economic models of consumer behaviour does not mean that we consider these models to be perfect and free from limitations. In fact, the economists have themselves been continuously researching in order to bring the changing facets of modern day life in the field so that the limitations of received knowledge may be mitigated. The perception about the limitations of each economic model of consumer behaviour has prompted the formulation of several alternative models, especially by management experts. Most of these models have had psychology as their orientation.

### **2. Behavioural Models of Consumer Behaviour: Katona and Nicosia Models**

George Katona (1963, 1980), followed by Francesco Nicosia (1966), has made important contribution to enhance our understanding of consumer behaviour. In management science, both of them have been acclaimed as founders of behavioural models of consumer behaviour. Katona has even been heralded as the founder of Behavioural Economics itself. Thus, Katona and Nicosia have been given unduly high credit which is in disregard of the pioneering contribution of Pareto, Edgeworth, Hicks, Allen and Samuelson to the behavioural theory of consumer's decisions.

Katona has been heralded as the founder of behavioural economics. Katona and Nicosia have, perhaps, been given undue high credit in disregard to the pioneering contribution of Pareto, Edgeworth, Hicks, Allen and Samuelson to the behavioural theory of consumers' decisions. It is in contrast to the fact that only contemporary developments have established the theory of consumer behaviour and its applications as an important part of management discipline.

Contemporary development in the field has established the theory of consumer behaviour and its applications as an important part of management discipline. Contemporary views are supposed to differ from economists' views,

though these views are not totally independent from the influence of knowledge generated by economists earlier. In our opinion, managerial models have attempted to bring realism a little more than that embodied in economic models.

### 5.3.5 Distinguishing Features of Managerial Models of Consumer Behaviour

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Managerial models focus more on decision process than on causes and consequences of consumer's decisions, which the economic models focus upon. Managerial models emphasize mainly psychological motivation and the consequent process that takes place in consumer's mind before, during and after the purchase decision has been made and executed. Managerial models embody research outcomes of behavioural sciences, especially psychology and sociology.

The following characteristics are supposed to distinguish managerial models of consumer behaviour from economic models:

1. Managerial models, unlike the economic models, focus more on decision process than on the causes and consequences of the consumer's decisions, which economic models focus exclusively upon.
2. Managerial models emphasize mainly psychological motivation and the consequent process that takes place in consumer's mind before, during and after the purchase decision has been made and executed.
3. Managerial models embody research outcomes of behavioural sciences, especially psychology and sociology.
4. In our view, these models focus more on promotion of sales of branded products of big firms with well established positioning in the market rather than the purchases of consumers *per se*. Consequently, these models overlook consumption decisions of (i) poor consumers whose income is so low that it does not permit them to choose high priced branded goods and, (ii) decisions of routine purchases that consumers make. These models embody exclusiveness rather than inclusiveness.
5. Managerial models focus on process rather than the cause and consequence of a decision as these are not designed to formulate a crisp and well articulated theory to explain as to why do consumers purchase more of one than the other goods? Besides, a theory, unlike these contemporary models, cannot incorporate more than two or three causative factors of a given outcome.

The above discussion will facilitate proper understanding of the models analysed hereunder.

#### 1. Katona's Model of consumer behaviour

The Katona model is considered to be important among the managerial models since (i) it occupies the centerstage in behavioural economics and, (ii) it inspired the formulation of other models of the same genre. So we have taken it up for discussion first. We shall begin the discussion with consideration of overall background and approach conditioned by this background that led Katona to formulate his behavioural model.

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### Background of the Katona Model

The Katona model of consumer behaviour has been embodied in his overall view of economic analysis. In his view, economic agents' decisions are not influenced by economic factors alone. Humans are social beings and the socio-political environment conditions behavioural responses of all members of society. But, psychological factors make human beings respond to same stimuli, irrespective of its social, political or economic nature, differently. Katona, therefore, considered psychological variables to exercise a decisive influence on the decisions of economic agents, including consumer decisions. The consumer's purchase decisions, he thought, are much more decisively influenced by psychological than economic factors (1963). In our view, this facet qualifies the Katona model to be based on psychological approach. Psychological factors are assumed to modulate and modify such personal constraints as income or family liabilities; these factors also mitigate the impact of such exogenous factors as taxes or subsidies, inflation or unemployment through accentuated motivation, attitude, inclinations and intentions. Psychological variables have, however, been overlooked in economic theory and models based on it. Consumer behaviour models are no exception to this. Therefore, he opined that the incorporation of psychological variables in the model of consumer behaviour will enhance our understanding of the same. It may however, be noted that Katona has overlooked the fact that the utility based analysis of demand takes explicit cognizance of psychological factors. But, the consequence of these factors, rather than the factors as such constitute the part of economic analysis.

It is this reason that his model has been classified under behavioural economics (1980). Besides the psychological factors, Katona attempted to incorporate the changes in world economy during the post-second world war period. During this period, most of the colonies became independent. Their political independence impelled them to launch ambitious programmes of development, especially of industrial development. Besides, the war-ravaged and damaged economies of Europe and Japan also concentrated on economic reconstruction and development. The period also witnessed the emergence of US and USSR as political and economic superpowers, competing among themselves to exercise a greater influence on international affairs. Naturally, radical changes materialized during this period. The exponential growth of per capita income and wholesale transformation of economic structure changed the socio-political and psychological-economic environment of the people throughout the world. These changes warranted a corresponding change in the analytical approach on the one hand and theoretical paradigms on the other. Katona made an attempt in this direction.

Human decisions are not made in a vacuum, since a person is continuously influenced by the social, political and economic environment. Variables of all three environmental elements influence men's psychological responses and hence, human behaviour, including consumer behaviour. Katona incorporated specific psychological variables in his analytical framework. Consumer behaviour model is, however, an element of this wider web of inter-relations between economic and psychological factors (1963).



## Basic Features of Katona Model of consumer behaviour

We shall briefly discuss the main features of Katona's consumer behaviour model. Katona's model has three blocks of variables and parameters which are the pillars of his analysis of consumer behaviour. The first are macro economic conditions such as (i) GDP and its growth, (ii) employment and unemployment, (iii) inflation and, (iv) interest rate. All these are exogenous factors over which individual consumers have no control. The second are macro variables which are also exogenous. These are taxes imposed and subsidies provided by the government, the credit policy of the banks, prices determined by the market or otherwise, other rates, etc., The influence of macro variables may, however, be tempered, modulated and moderated by individual efforts to some extent. In our view the assumption is unrealistic. Individuals have to take all these variables as exogenously given. What he can do is to adjust and adopt to these as he cannot alter these. The third set of variables are the personal traits and constraints which comprise household income, committed part of total expenditure on necessities and the excess of income left after satisfying necessities. But, here is a broad and multi-layered trade-off between savings for future consumption and current consumption and greater preference for either for current or for future consumption as we have discussed earlier under perceptive consumer behaviour. These facets are amenable to individual decisions which are influenced by such personal traits as (i) motivation, (ii) attitude and aptitude, (iii) knowledge and its use in decision-making and (iv) perception and expectation. The consumer's inclinations and intentions, conditioned by the personal traits enable individuals to adapt or modulate and modify the second set of constraints. Besides, perception and expectation about the future are governed both by personal traits and the objective economic conditions under the first two variables. For example, if inflationary pressures have been in operation, some consumers may advance their purchase in order to avoid purchase at higher price in future. Others may think that inflation shall slacken in future, so they may postpone their purchase for the future. Similarly, if current unemployment creates apprehension about future job loss in the minds of some people, they may raise their savings even at the cost of current consumption. It is such facets which make perception and expectation an important factor of consumer's decisions. The consumer's motivation to raise current standard of living rather than make future more secure through savings will lead to rise in current consumption expenditure rather than savings. Thus, the explicit incorporation of such variables in consumer's decision-making have enriched our understanding of consumer behaviour.

Katona noted that rise in income in the post Second World War period has endowed large number of consumers with discretionary purchasing power, which is represented by excess of income over expenditure needed for the purchase of necessities of life such as food, clothing, housing, health and education. This residual or income in excess of expenditure on necessities can be allocated either to savings or to expenditure on non- necessities, that is, wants of convenience and comfort and luxuries which remained beyond the means of non-rich people earlier. Alternatively, this part of income can be allocated partly to savings and partly to extra consumption. It may also be added that development of new technology has also facilitated production on scales that were much higher than the earlier ones at

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lower cost. Besides, a large range of new products have also appeared on the shelves and in the showrooms of selling outlets. The operation of Say's Law of Markets that 'supply creates its own demand' was also facilitated by high profile advertisement through new modes or media and substantive rise in incomes of common people. Naturally, not only the earlier suppressed wants could be satisfied by larger spending but newly created or acquired wants could also be satisfied by at least the middle and higher income groups as the world economy moved away from 'More for Few' to 'Less for Many.' The change in income distribution pattern under welfare states in post war period also helped this phenomenon.

The concept of discretionary spending has been evolved on the basis of imposition of restriction on consumer's free choice which some economic theorists used earlier for the purpose of specification of their econometric models. The consumer's free choice is constrained by the assumption that a part of the income is committed to necessary or routine expenditure and hence, separated from free choice between saving and spending. Katona's and such other models implicitly take the necessities to be unchanging, both in number and nature. This is unrealistic. With the explosive growth of income, the number and nature of necessities have been changing continuously. Erstwhile luxuries tend to fall in the category of necessities over time. Engel's Law of family budgets is only a static version of this feature. It may, therefore, be noted that before Katona moved into the scene, Richard Stone (1953), a Nobel laureate, formulated and propounded the thesis of committed and non-committed expenditure. The committed part of the expenditure in Stone's schemata may cover more than the fulfilment of necessities. Hence, it has a wider range than that of Katona who considers only the necessities in this group. If the house has been taken on rent, the payment of rent is a part of committed expenditure. Similarly, expenses on education, health, transport, savings, payment of EMI, say insurance policy, may also fall in this category. Whatever is left over after these expenses, constitutes Stone's non-committed expenditure/income, which Katona dubbed as discretionary purchasing power. We have highlighted it in order to put Katona's contribution in a proper perspective.

A sustained rise in income and production of ever rising quantities and variety of consumer durables have become an inseparable part of modern world economy in the post Second World War period. Besides, the rising incomes have been accompanied by the revolution of rising expectations of the masses both in the developed and developing countries. It has resulted in people aspiring to emulate the living style of those richer than themselves. But, before this, they have to enter into a higher income bracket so that they may imitate the consumption standards of those already in the group. This facet unleashed a new phenomenon of peer group's, which Dussenberry called 'Demonstration Effect' on the pattern and level of consumption. The Demonstration Effect on demand has got interwoven into the economic system now. It is obvious that the behavioural scientists have entered this field later than the economists. Consumer durables have now become an inseparable part of family budgets. As a consequence of the rising income of consumers, the output and purchase of consumer durables have increased manifold. Now, these goods account for a substantial proportion of income and consumption expenditure in the developed west, which evolved the system of hire and purchase

to continuously create demand for durables. But, the demonstration effect has percolated into the socio-economic system of the developing countries also. For example, India and China have entered this phase with a bang. These facets naturally attracted the attention of analysts like Stone, Modigliani, Katona and others. Consumers purchase the durables as and when their income rises sufficiently or they have accumulated substantial savings and/or as and when the use of finance option becomes feasible.

In countries like India, the proportion of income, both current and future, allocated to such goods has been continuously rising. Bicycles, kerosence stoves and radios entered the Indian households in the 1950s and early 1960s which were followed by LPG gas, table and ceiling fans, two wheelers, transistors and stereos;

1970s witnessed the entry of room coolers, record players, music systems, tape recorders, cameras, etc. The 1980s marked a radical departure from the past when cars, VCRs, washing machines, black and white televisions entered the consumption baskets of the middle income groups. The 1990s saw the replacement of (i) small by bigger cars (ii) B&W by coloured television (iii) manual washing machines by automatic washing machines (iv) small by flat screen bigger televisions microwaves (v) room coolers by ACs, (vi) players VCR by DVDs (vii) computers by laptops. The unprecedented rise in national income and hence, per capita income enabled the people to raise the standard of living through the expansion and diversification of consumption baskets. The nature of diversification differs between income groups. For example, the poor have to allocate very high proportion of total expenditure/income to food. Rising incomes enabled them to bring relatively higher priced protective food and conveniences into their consumption basket, whereas the middle and higher income groups allocate substantial proportion of the budgeted expenditure to the purchase of high priced consumer durables which they could not afford to purchase earlier at lower income. It may be noted that the purchase of consumer durables has had a threshold level of income; people below the threshold could not afford the expenditure on such high priced goods. A rise in income enables them to cross the threshold income, while the availability of finance tends to lower the threshold level of income itself across the income groups. So finance option has also helped in raising the standard of living. Besides, these goods are quasi-wealth as expenditure on these goods yields value in use, whereas the normal wealth and capital furnish value in exchange. Some of the above aspects have, however, not been considered by Katona. But, Katona has assumed that the economic conditions, as conceived and perceived by the consumer and his/her own situation directly influence the purchase decisions. Economic conditions refer to the prevailing rate of interest, inflation, unemployment and GDP and its growth. As we have mentioned above, consumer durables are quasi-wealth for the buyer, so the interest rate becomes relevant, though Katona did not discuss this aspect in his model.

The Katona model may briefly be described as follows. The personal psychological responses of the consumer facilitate him to (i) adapt to such objective economic conditions as are beyond his control and, (ii) modulate and modify effect of such conditions as are amenable to it. The consumer's response to external

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economic stimuli is reflected by the confidence with which he faces current constraints and conditions and his perception and expectation about these constraints and conditions in future. Katona postulates the consumer's sentiment and confidence as the decisive determinants of discretionary spending that the consumer has got at the given point of time. For example, during the current international financial crisis, if a consumer expects the downturn to be over within a couple of months, then he may not be willing to alter his consumption pattern. Katona argues that, if a large number of consumers have similar sentiment and expectation, then the downturn or upturn may leave a sizeable effect on purchases.

The basic questions to be addressed are whether the consumer's sentiment at the given moment of time can be measured for practical application and whether the duration of the period separating the present from the future which Katona is specifying is precisely definable. Katona conducted consumer surveys to ascertain their views and responses to several questions relating to financial matters which he used to construct Index of Consumer Sentiment (ICS). Curtin (1982) used both ICS and income as an explanatory variable in the regression function, having sales of new cars as the dependent variable, to show that ICS's predictive power is two times more than that of income. This effectively answers the first question. But, the second question regarding the duration of time period for which realistic expectation may be formed remains un-answered.

The model has been depicted in Figure 5.4.

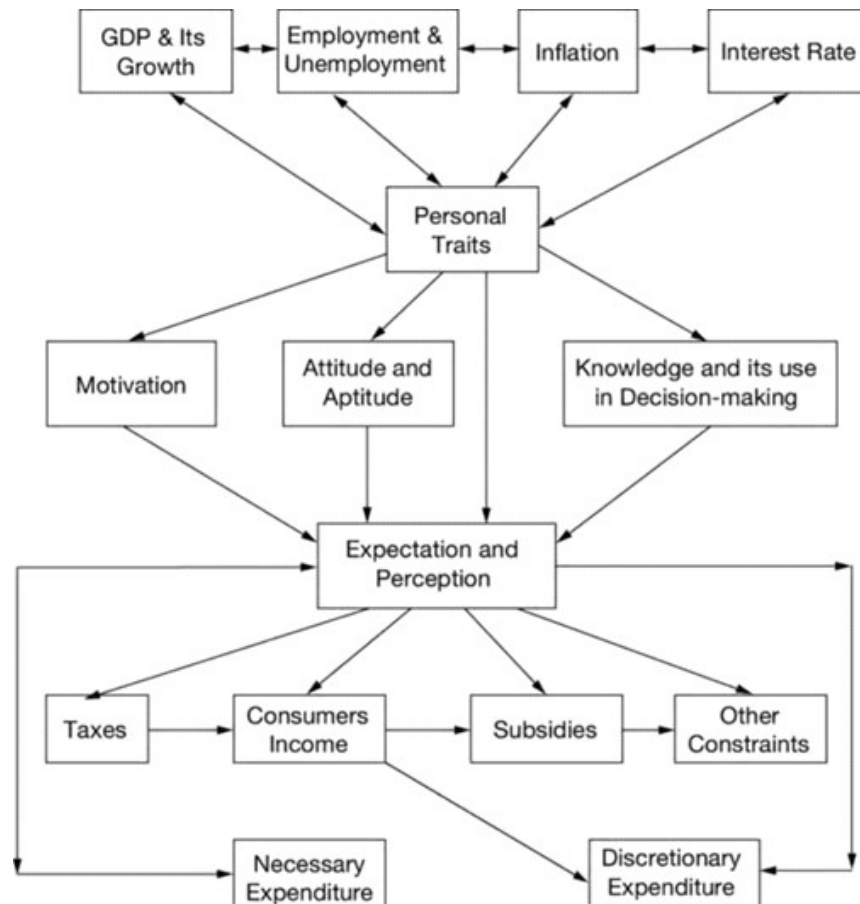


Fig. 5.4 Katona's Model

### Critical evaluation of Katona Model

One observation that we shall make and which is applicable to all non-economic models is that, unless the relation between cause(s) and consequence of purchase decision is explained, we do not end up with a theory of consumer behaviour. This is not to belittle the importance of the decision process, which is the main focus of all these models. The utility of all such models would be manifold, if they could highlight causal relations that underlie the decision process. For example, housewives or the female members of the family are the main decision-makers with regard to the choice of kitchenware. If we can highlight the consequence of this facet either in the choice of a particular brand or total expenditure, it shall enrich the theory. This will also apply to the choice of electronic goods behind the choice of which are younger members of the family. Unfortunately, no attempt has been made to weave this facet of different members of family exercising influence on purchase decisions with regard to goods of different varieties.

Katona has mixed micro-orientation with macro framework without adequately highlighting the important role that the changes in the pattern of income distribution plays in enhancing purchasing power of different occupation-income groups. The variables included in Index of Consumer's Sentiment in empirical aggregative analysis are a testimony to this.

Even though the discretionary spending is biased towards the choice of large quantity or better quality and higher-priced models of the same product by those who were already having the attribute of its ownership, yet there is no distinction in theory between buyers using and not using the finance option and their threshold income levels. Prakash-Sharma-Bagati's work is an exception to this.

The reformulated and extended version of Engel's law of family budgets has depicted that an increase in income, moving people from a lower to the next higher income group, first reflects in the (i) substitution of lower priced by higher and better quality necessities such as protective food, better clothing, better school for children and, (ii) diversification of consumption basket by the inclusion of goods not affordable hitherto such as quasi-durable goods. It may be noted that the consumption profile of the poor reflects their mindset which remains operative even when they move above the poverty line. Similarly, the riches of the rich, reflected by their income and wealth, set their tastes and preferences apart. Income governs tastes and preferences. If one incorporates tastes and preferences as a determinant of consumer purchase, then their interface with income has to be taken into account which none of the contemporary models has attempted. Katona model is no exception to this. The lower middle income group's consumption pattern is dominated by such goods which are neglected by Katona. He implicitly assumes that the entire discretionary spending is allocated to branded consumer durables, which leaves a big gap in our understanding of consumer behaviour in its totality.

The treatment of perception and expectation is neither adequate nor appropriate. In this connection, we shall distinguish between the immediate, medium term and long term economic circumstances, of individuals. Most of the individuals

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in their capacity as consumers are concerned more with the present than the future. In this context, we may also distinguish between those whose earnings are certain and those whose earnings vary between periods. But, different individuals have different ability and perception about future uncertainty and hence, change. The negative and positive expectation's net outcome is, therefore, anyone's guess. Unless one goes into explicit calculus of expectations, these cannot be incorporated into a model. Katona has not introduced any such calculus in his model. Again, the immediate or short-run expectations of individuals will revolve round annual bonus for workers, annual increments for fixed income groups and dividend for richer segments of the people. Motivation and other psychological variables that Katona has mentioned do not capture these. Motivation, aptitude and attitude reflect in tastes and preferences which are conditioned by habits, the past and one's current standing of living.

The postulation that economic models have overlooked psychological variables is not correct. Marshall (1892) postulated that the strength of the force of a given motive may be measured by the value of the outcome that results from the operation of the motive force. Is it an evidence of neglect of motive force? Besides, the utility laws have been explicitly based on Feshner's Psychological Law that any given external stimulus generates an equal and opposite directional response. Despite the generic incorporation of psychological factors in Katona model, we do not find any specific and quantifiable role for these parameters or variables in the model.

### 2. Nicosia Model

The Nicosia (1966) model is an important contemporary model of consumer behaviour. Nicosia is one of the earlier analysts who shifted focus from the act of purchase to the decision process that is undertaken by consumers with regard to the purchase of goods and services before, during and after the actual purchase. But, his model may be called mechanistic rather than explanatory or predictive. He used the flow chart similar to the charts used in computer programs to depict routine and subroutines. The flow chart of Nicosia's model does not offer an explanation of such questions as why do all consumers follow the routine of the same decision process, irrespective of the nature of the product or their tastes and preferences. This process comprises steps and stages involved in arriving at the decision, without offering an explanation. Nicosia treats all variables on an equal footing without distinguishing between dependent or independent ones. This probably explains his neglect of the answer to the question posed above. All variables are considered to be inter-dependent influences of which flow circularly on consumer's purchase decisions. Circles have neither a beginning nor an end. It means that the consumers continue to move in the same circle irrespective of the change that may occur from time to time or the difference in the circumstances of different groups of consumers. Each element constitutes an input of the next step/factor. The influences may, thus, be sequential rather than hierarchical though one does not know exactly what the sequence is.

The model conceives an action–interaction web between firms and consumers. Firms evolve communications, comprising information and advertisement about its product(s); these are intended/ planned to be delivered to

the consumers. The consumers' responses to these communications will enable the firm to devise and develop subsequent plan of actions. We may call it similar to pre-testing the consumers' responses before the launch of a product or programme or service or promotional scheme.

Nicosia has developed the model on the basis of two inter-related assumptions: (i) Consumers seek to realize well-defined goals. One such goal may be defined as obtaining the product or service of specific quality at the best price (ii) Consumer has no predisposition towards the firm, negative or positive. In other words, the consumer is unbiased. This unbiased assumption is similar to the assumption that is made in economic theory to ensure rational behaviour which has been widely criticized in management literature. The consumer's unbiased behaviour is necessitated for the fulfilment of a pre-defined goal in the best possible manner just as rationality assumption leads to the goal of maximum of satisfaction from the given budget in economic models. This is the direct inference to be drawn. It may be noted that this assumption is even more unrealistic than the rationality assumption of economic models because the absence of predisposition towards product or firm can be fulfilled only if the firm has launched a new product for the first time in the market which no firm has ever produced. For example, when Panecea Biotech launched Nimesulide in the Indian market, consumers had no predisposition towards it. But, the success of the product induced other companies to imitate this successful product. The assumption may also be relevant if the consumer enters the firm's market for the first time with complete ignorance. Even such consumers, however, acquire information from different sources before they actually enter the market.

Nicosia's model comprises the following four fields:

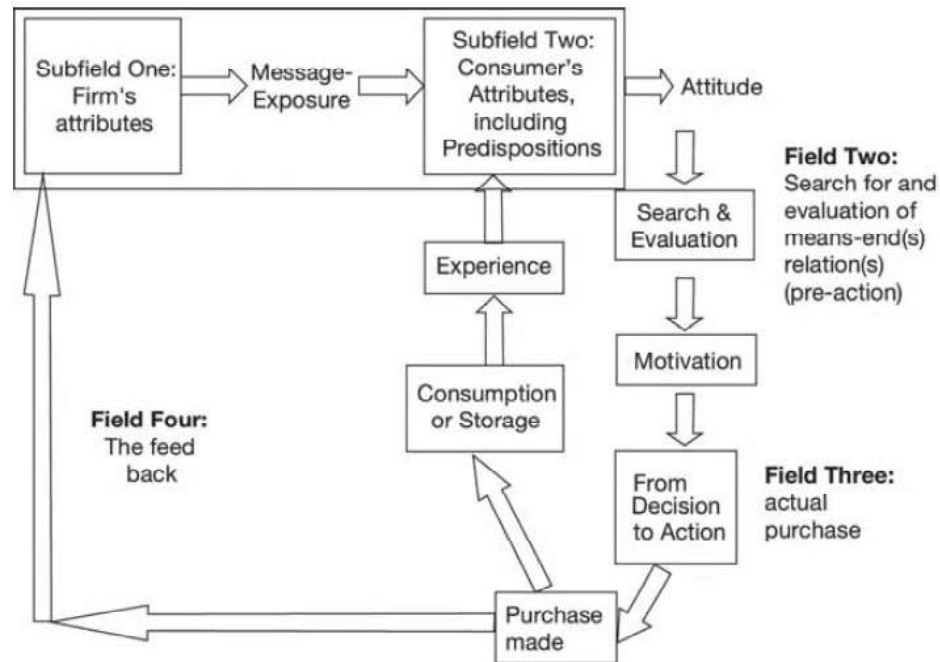
- 1. The firm's and consumer's traits:** The first field relates to the traits of the firm, its products and communication to consumers on the one hand and the consumer's psychological attributes on the other.
- 2. Consumer's search and evaluation:** The second field pertains to the consumer's search for the firm's products for evaluation and comparison with attributes of similar products of other firm.
- 3. Act of purchase:** The third field relates to the actual purchase as an outcome of the operation of motivational forces on the mind of the consumer so as to induce him to actually purchase the product under consideration and produced by the chosen firm.
- 4. Storage and consumption:** Goods are purchased for consumption. But, perishable goods cannot be stored and hence, these have to be used immediately. But, other goods are either used over a period of time or these are acquired to be used later; only such goods necessitate storage by the consumer. The last field makes it clear that Nicosia is either considering purchase for future use, which may either be speculative or perceptive or his focus is on purchase of durables that are used over a period of time. Naturally, the model does not cover the consumer's purchase decisions for all types of goods. Hence, it limits the scope of the model mainly to consumer durables or quasi-durables. Obviously, the model may not be relevant for other types of

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goods. This is an important limitation since consumer's perception or expectation and more importantly, consumer's response to external stimuli differ between goods of different types. Such differences are totally overlooked by Nicosia model.

**NOTES**

The Nicosia model may be displayed in Figure 5.5.



*Fig. 5.5 Nicosia Model*

As has been shown in the figure, field one represents the release of the firm's message to the consumer. The message embodies firm's attributes to which the consumer is exposed. The exposure brings consumer's traits to the fore, especially attitude towards such communications. He may be induced to search and evaluate the contents of the message with a view to find its suitability for himself. If the firm's attributes match the consumer's traits, he may be motivated to take the purchase decision, which would culminate in actual purchase. The product may be consumed immediately or it may require storing, depending upon the nature of the product and the urgency of consumer's want. The act of consumption provides firsthand experience to the consumer about the product as well as its producer which may lead to the development of predisposition towards the firm for subsequent decisions.

**Evaluation of Nicosia Model**

The model has been based on an extensive review of literature. Consequently, Nicosia tried to present an exhaustive framework for the analysis of consumer behaviour in a manner that consolidated the received knowledge and leads to incremental knowledge based on author's own understanding and perception. The model's focus is to broaden the field of analysis by incorporating actions other than the cause and effect of actual purchase. Obviously, it has lot of descriptive portrayal but not much of analytics. But, it does highlight that the purchase



of the product is only one part of consumer behaviour and that the process is equally, if not more important than the purchase.

The model highlights that the firm exposes the consumers to the specific communication (s) in the hope that it shall evoke appropriate response from the consumers. The nature of the consumer's response to this exposure is assumed to depend on (i) attributes of the communication (ii) attributes of the consumers. The two sets of attributes need to match in order to generate the desired responses from the consumers. It is implied that there is a third set of attributes that are associated with the consumer's responses that the firm desires to evoke. It may be noted that the specification of the model states that all the variables and parameters stand on an equal footing rather than being dependent and independent. The above portrayal shows that unless the attributes of the communication match the consumer's profile, desired responses shall not be evoked. Desired responses shall be evoked only if there is match rather than mismatch between the above two attributes. Thus, the above is contrary to the postulation of the model. Appropriateness of communication is the cause and evoking of appropriate response is its consequence. However, appropriateness has not been defined in terms of parameters.

If however, the firm's communication succeeds in evoking desired consumer's responses, it shall be imitated by other firms. But, the successful firm would have already created a disposition in its favour. Does it not mean that the model is designed to work only one time if this assumption is to be retained? Another aspect of this model is that these facets of Nicosia model stand on the footing of Say's Law of Markets in so far as consumers are assumed to respond to the communication from the firm in a predetermined manner. It means that communication produces its own desired response. It implies that the firm's communication creates demand for its product. Consequently, the want, the source of demand is exogenous to the consumer. This is in stark contrast to reality.

Communication from the firm to consumers may broadly be classified into two categories: **Informative** and **Persuasive**. Informative communication spreads news about the firm's product(s) and its features. So, it creates an awareness in consumers about the availability of the given product which may match some of consumer's felt wants. This type of communication has to be addressed to the potential rather than the current buyers. Persuasive communication is designed to mould consumers favourably towards the firm's products. It presupposes the knowledge about the target group. It is a pretty well-known practice in marketing. The Nicosia model does not distinguish one from another communication which results in the assumption that the consumers have no predisposition towards the firm. It means that all such past communications of the given firm have been a dismal failure.

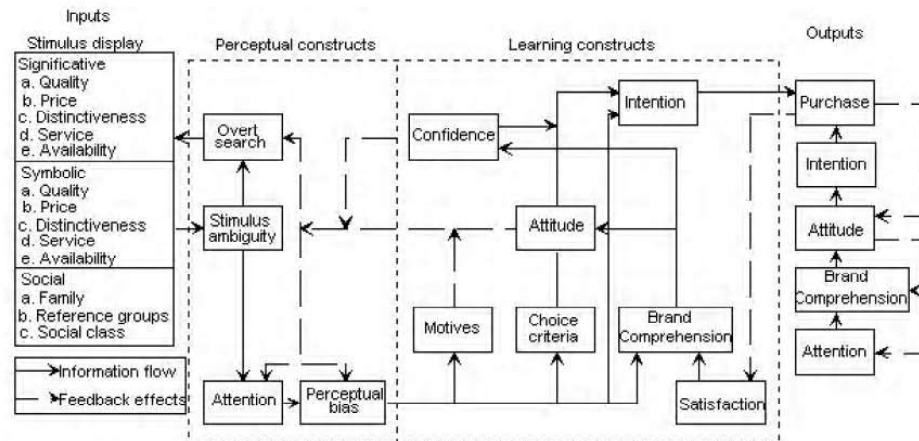
The Nicosia model is mechanistic and descriptive rather than analytical. It incorporates far too many variables and parameters to be able to deal with any of them exhaustively. This facet makes this model inappropriate to qualify as theory of consumer behaviour. The treatment of the nature of communication is inadequate and that of consumer's responses limited.

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**Howard-Sheth Model**

The Howard-Sheth Model (1969) is purported to have presented an integrating framework of an exhaustive theory of consumer behaviour. Authors use the term ‘buyer’ rather than ‘consumer’ to emphasize that the concept of the buyer is more inclusive than that of the consumer. Buyer includes both households and business houses. The technically correct term is customer and not buyer to convey the connotations that Howard-Sheth wish to convey. The Howard-Sheth model is displayed in Figure 5.6.



*Fig. 5.6 Howard-Sheth Model*

The Howard-Sheth model is more realistic than the other models, since the concept of demand is more inclusive than the micro demand of the households. But, at the same time, it is too broad to retain the differential features of behaviour of individuals and institutions. This observation is, thus, relevant from the view point of producer, who has a stake in selling the entire output. It does not matter to whom it is sold. To the extent to which non-negligible proportion of total demand is accounted by the inter-industry demand, it is fine. But, this obliterates the distinction between micro level household purchase behaviour and aggregative purchase behaviour of firms and organizations. Business houses do not purchase small quantities with a view to consume directly; their purchases are in bulk and they enter into long-run arrangements with the suppliers. Their behaviour traits are not comparable with the behaviour traits of individuals. The same theory can, therefore, not explain these two different phenomena. The trading firms purchase for retail selling; firms engaged in production purchase products of other companies/ firms with a view to meet the intermediate demand for production; government also purchases for meeting its direct consumption demand, while export houses purchase for selling abroad. The goal of each buyer is different which reflects in the differential behaviour. Thus, the model seeks to build a comprehensive account of purchases and a comprehensive and unified theory of purchase behaviour of all consumers. But, in essence, it fails to attain this objective.

**Basic features of Howard-Sheth Model**

Consumers have incomplete information about the conditions in the market. Choice of non-branded goods or goods for which brand may not matter are beyond the purview of the model.

### **Assumptions**

Like all other models, the Howard-Sheth Model also uses specific assumptions to build their model. The following are the core assumptions of the model:

- (a) Consumers have incomplete information about the conditions in the market. Besides this, they have limited ability to understand and analyse the conditions that confront them.
- (b) The objective of a consumer's decision is rational choice of the brand from those that are available and they know about. The assumption of a rational choice is similar to the assumption generally made in economic models, though the rationality in this case is supposed to come to the front only in case of the choice of the brand. An implication of this assumption is that consumers focus on the choice of one brand of one product; it thereby does not consider the allocation of income between (i) savings and consumption and, (ii) between different goods to be purchased. Thus, the model embodies highly restrictive assumptions.
- (c) By implication, the choice of non-branded goods or goods for which brand may not matter are beyond the purview of the model.

### **NOTES**

### **Levels of Decisions**

Extensive Problem Solving is marked by the absence of choice criteria used to select a given brand in the early stage when the consumer has only limited information about the brands. Limited Problem Solving is relatively a more advance stage, when the consumer has already evolved a definite criterion or criteria to exercise choice. Routine Response Behaviour stage is that of routine responses of the buyer to brand information. In this stage, the buyer has settled the choice criteria and he has a strong bias in favour of a particular brand.

The model differentiates between the following three different levels of decisions:

#### ***Extensive problem solving***

This stage is marked by the absence of choice criteria that may be used to select a given brand in the early stage when the consumer has information only about the brands. An absence of comprehensive information about brand(s) may, itself, impinge upon the evolution of an appropriate criterion of choice.

#### ***Limited problem solving***

This is relatively a more advanced stage when the consumer has already evolved a definite criterion or criteria to exercise choice. But, the buyer is still not sure about which brands will serve his purpose best with the result that the consumer has uncertainty in his mind about the most suitable brand for himself. It implies that the criteria of choice can be finalized without the finalization of brand.

In our view, there is nothing like an absolute criteria of choice which the above assumption implies. Choice criteria are governed by definite information about particular brands and the objective(s) of the consumer. The consumer has to evolve the criteria to reconcile brand information with the *a priori* determined objective

of purchase. The matching of brand features will itself enable the buyer to zero in on the favoured brand.

### ***Routine response behaviour***

## **NOTES**

The third stage is that of routine responses of the buyer to brand information. This is the stage in which the buyer has already settled the choice criteria and he has developed a strong bias in favour of a particular brand. This stage may precede the actual purchase.

The model uses the concepts of the theory of learning behaviour. This implicitly brings sequencing of different stages into focus. Learning takes place along with the evolution of brand choice criteria which enable the buyer to move from extensive problem solving stage to limited problem solving stage which, in turn, leads to the routine choice behaviour. Each stage or sequential step embodies different components. Four major components are distinguished from each other. These components comprise variables and constructs or concepts. These variables may broadly be classified as (i) input variables and, (ii) output variables. The constructs also involve variables that are defined to be intervening variables. The constructs are also broadly classified into (i) perceptual (ii) learning categories. The perceptual propositions or constructs deal with the processing of information about the brands available to the consumer. The learning propositions relate to the formulation of these constructs in the learning stage. It seems that the authors think that the buyer enters the market with a blank mind (an empty box of thoughts) that might have been brought from past to present. In the modern business world of intense competition and incessant advertisement, the assumptions sound unrealistic.

### **1. Perceptual constructs**

The perceptual constructs are partly psychological and partly experiential. The model has used the following perceptual constructs as the base.

**Sensitivity:** Sensitivity refers to the buyer's receptivity to information. This largely depends on the buyer's psychological propensity and partly on past experience. If one has an optimistic bent of mind, one tries to find positives. If, however, one has experienced cheating in the past, one shall be wary of receiving any information with an open mind. Bad experiences tend to make people cautious, if not totally cynical. But, information may be received with or without proper filtering. The degree of restraint that the buyer exercises to receive information, designed to stimulate his receptivity of the information, reflects the sensitivity. Sensitivity is not a case of either total control and regulation and no control to reduce reception to zero. It is a question of degree of buyer's reception to the stimulus released by the information.

**Perceptual bias:** Reality is always part factual and part perceptual. Information is also supposed to pertain to facts or reality. So perception comes into play in the reception of information. No real life buyer has a totally uncluttered mind that receives information with the same degree of receptivity and with the same perception that the supplier aims for. Perception differs from one individual to another. It is, therefore, natural that the buyer's perception will differ in small or large degree from that of the brand promoter. In other words, the perception of

the buyer about the information communicated to him tends to be either distorted or differ in meaning or exaggerated relative to the real content or reduced or changed in relation to the intended content and effect.

**Information search:** The buyer seeks appropriate and adequate information about the brands and their characteristic features. The search may be confined to the brands the buyer is aware of or the brands that might have entered his choice horizon.

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### 2. Learning constructs

Learning constructs have been classified into Motive, Brand Potential of Evoked Set, Decision Intermediators, Predisposition, Inhibitors and Satisfaction. Motivation is the driving force towards action. The buyer's evoked set refers to such features of brands about which he has such evaluated information, as in his perception have the capacity to meet his specified goal. Intermediators of decision refer to the criteria of rank ordering of various alternatives on the basis of the objective of purchase and its motive. Predisposition is the reflection of well-deliberated and adequately considered preference ordering of various brands according to the evoked set. Inhibitors relate to such environmental constraints as price and pressure of time which together act as barriers to current purchase of a preferred brand. Satisfaction refers to the state of mind under which the buyer feels that his expectation before purchase of the commodity has been fully realized after the purchase has been made.

Learning constructs have been classified by Howard and Sheth into the following categories:

#### *Motive*

It is obviously a psychological factor that resides in the mind of the consumer. Motivational force emanates and springs either from some general or specific goal that the consumer seeks to achieve. It is the driving force towards action or decision. It may also emanate exogenously from one's environment. Each corporate has its own work culture and environment which tends to evoke motivational responses from its employees. Similarly, consumers have their peer group among colleagues, neighbours, friends and relatives. Their consumption styles motivate them to emulate. This aspect has been extensively used by Dussenbery earlier in his model.

#### *Brand potential of evoked set*

The buyer's evoked set refers to such features of the brands about which he has the evaluated information at his disposal as, in his perception, have the capacity to meet his specified goal. This relates to brand's potential to match the set goal in order to facilitate the choice to be rationally made.

#### *Decision intermediators*

The intermediators of decision refer to the criteria of rank ordering of various alternatives by the buyer on the basis of the objective of purchase and the motive underlying the same. The application of these criteria enables the buyer to select the optimum alternative.

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### ***Predisposition***

Predisposition is the reflection of the well-deliberated and well-considered preference ordering of various brands on the basis of evoked set. It displays the buyer's attitude towards alternative brands.

### ***Inhibitors***

Inhibitors relate to such environmental constraints as price and pressure of time which act as barriers to current purchase of a preferred brand. For example, a proportion of budget allocated for the product may make the chosen brand unaffordable at its current price or the distribution outlet might have run out of stock which is not expected to be replenished in immediate future.

### ***Satisfaction***

Satisfaction is the last learning precept. A buyer has specific expectation from the chosen brand. Satisfaction refers to the state of mind under which the buyer feels that his expectation before the purchase of the product has been fully realized after the actual purchase has been made. It is partly perceptual and partly experiential.

### ***Exogenous Variables***

The model has listed several variables that are considered to be exogenous to the internal working of the model and which are considered to be given and fixed. But, these variables considerably affect the buyer's perceptual variables and learning constructs which in turn will exercise an influence on the choice. Some of these variables may also operate directly on exercise of choice. However, the number of variables is large and neither the influence of these nor the nature of the variables have been defined properly.

### **Operational mechanism of the model**

The model has a well-defined and structured mechanism for making it operational. It relates to the initiation of the process of operation to the receipt of stimulus and consequent capturing of consumer's attention. But, the response to the stimulus is tempered by consumer's preconceived notion or perception. Perception is guided by motivation, intermediators and evoked set. The received information undergoes modification in the above process. But, the information also tends to affect the above mentioned parameters as these two are mutually inter-related. But, the final decision is largely governed by the buyer's motive, intention and inhibitors. After the purchase has been made and the consumption of the product is over, the consumer evaluates the satisfaction. In case the buyer is fully or by and large, satisfied with the product/service and the supplier, he will be favorably inclined towards the brand; it will reduce his future search and evaluation of competing brands if the same experience is repeated. Over a long period of time, purchase of this product will fall in the category of routine purchase.

### **Critical evaluation of Howard-Sheth model**

Like Nicosia model, the Howard-Sheth model also attempts to take cognizance of received knowledge, though it is more comprehensive than Nicosia model. The

model distinguishes between the consumers' behaviour on the basis of the different problems that they face in the purchase of different kinds of goods. Another distinguishing feature of the model is that it recognizes the influence of experiential learning on future purchase decisions. But, the model does not adequately discuss the influence of unsatisfactory experience gained from the purchase and consumption of the product of a given brand. But it is implicit that the entire process of search and evaluation will be repeated again and again until the consumer gets the brand that satisfies him. Then, the model also overlooks the dynamics of an oligopoly market competition where companies vie with each other to capture consumer's attention by launching improved products and efforts at brand positioning in the market. This is an unending game and the consumers are incessantly exposed to relevant information. It is more likely that the satisfied consumer will also not spurn the offer of a better brand/quality or a lower price that may become available in the market. It is, therefore, erroneous to conclude that the branded goods, the focus of the model, will ever end up in routine purchase behaviour. Extremely low-priced goods like soaps, detergents, toothpaste, etc., may be an exception, though in their case also, consumers are tempted to experiment with other brands. More often than not, the consumers also move between the brands to take advantage of incentive schemes offered by different brands. Such diverse behaviour cannot be explained by the Howard-Sheth model.

The model fails to distinguish unambiguously between exogenous and endogenous variables and the way these affect different layers and stages of the decision process.

Variables like motive, intentions and predispositions are not defined precisely; the model does not offer any method(s) to measure these variables/parameters.

The model fails to recognize the differential roles of different members of the family in purchase decisions.

The model discusses the satisfaction after the purchase. But, this does not find any representation in the schemata which is supposed to graphically portray the model.

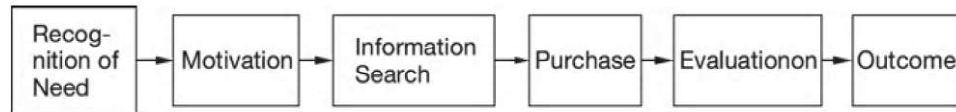
### **Engel-Blackwell-Miniard Model: A Modified Version of Engel-Kollat-Blackwell Model**

The sequence of different activities of stages of decision-making is also erroneous. In our opinion, the first stage is the awakening and awareness of the need that leads to the arousal of desire. Desire leads to mobilization of resources to satisfy it. In this stage, mobilization of resources is accompanied by information search and evaluation. Motivation and intentions interpenetrate in between.

The model is more descriptive than analytical. It does not offer any general theory to explain the consumer behaviour.

The Engel-Blackwell-Miniard model (1990) is an extended and modified version of the Engel-Kollat-Blackwell 1968 model. The model, in fact, has gone through several rounds of revision and modification since its inception. We have taken up the latest version of the model for discussion (Figure 5.7).

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**Fig. 5.7** Sequential activities of Engel-Blackwell-Miniard Model

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The Engel-Blackwell-Miniard model, like other models, also makes some assumptions which are its foundation. The model assumes that consumer behaviour comprises five sequential activities which occur at different points in time. These activities are as follows: (i) Motivation and Recognition of Need (ii) Search for Information (iii) Evaluation of Alternatives (iv) Purchase and (v) Outcome of Purchase. The inter-related and sequential nature of these assumptions may be gauged from the flow chart in Figure 5.7.

Each of the above assumptions involves an activity. Thus, we shall have five sets of variables, each set relating to one activity. The variables or parameters, associated with these activities, have been classified into four groups: (i) Parameters that constitute inputs of stimulus (ii) Parameters that enter into processing of information (iii) Variables/parameters at the base of process of decision-making (iv) Factors affecting decisions. The variables and parameters of activities are inter-active as these are mutually interrelated.

### ***Modus operandi of the model***

Like the Howard-Sheth model, this model also distinguishes between Extensive Problem Solving (EPS) Consumer Behaviour and Limited Problem Solving Consumer Behaviour (LPS).

### **Choice under EPS**

EPS is complex as it starts from scratch and involves extensive search for information and its evaluation till the end of the process of decision-making and its implementation. This involves higher level of risks attached with the unknown and hence, uncertain outcomes that may emerge from the choice of one of the available alternatives. The risk of choosing the unknown and risky option induces the consumer to undertake intensive search over extensive options and their evaluation. Search and evaluation process may extend both over numerous outlets and brands. It is also probable that the objective of minimizing the risk may prompt the consumer to choose more than one option for the purpose of choosing one product/brand from one sales outlet for purchase. Thus, the choice may be two or multiple. This makes this model different from that of Nicosia and Howard-Sheth models. At the very outset, it is also highlighted that the satisfactory experience with the brand at the end of the purchase will lead to repeated patronizing of the same brand by the consumer.

### **Choice under LPS**

In case of LPS, a consumer's involvement in information search and evaluation is relatively low. A lower degree of involvement is directly related to the lower degree of want of knowledge about the alternatives and risks associated with each option. The consumer's past experience and/or reliable information about various options



make his or her perception of risk relatively low. Prior knowledge or experience weakens his motivation for extensive search and evaluation of information about alternatives. In other words, his confidence in his own judgment is relatively higher. He, therefore, goes for a less rigorous search and evaluation. Besides, his experience with the brands or selling outlets also makes him buy from specific outlet(s) rather than to spread the purchases over several establishments/brands. The principle of inertia operates to dilute motivation and propels repeat purchase of the same product from the same outlet, if the consumer was not dissatisfied with the choice earlier. Brand loyalty and bias also promote the decision of repeat purchases.

The authors think that the same model will suffice to explain purchase behaviour under both EPS and LPS. However, extent of each stage in the decision process will differ between EPS and LPS. So, the difference is that of degree, not of substance.

The authors postulate that under EPS, the consumer initiates the process with the awareness and recognition of the need for some product. This initial step leads to activity under three possible factors that influence decision: Information that the consumer already has; environmental factors under which the decision is to be made and the personal traits of the consumer which shall visibly or invisibly affect his choice. The consumer's interest and his willingness for scanning and evaluating the information that he has got, thus, plays an important role. His willingness and ability to search information extensively and evaluate it are affected by a host of factors pertaining to the persona of the decision-maker. The scanning and evaluation enables the consumer to recognize the distance and difference between his current state and the state that he ideally desires to be in. Under EPS such motives are aroused and activated that are located in consumer's self image or concept.

As the model distinguishes between internal and external search of information and its evaluation, there is the need for understanding these two processes.

### ***Internal search and evaluation of information***

The recognition of the gap between the state in which the consumer is currently located and what the state ought to be in the perception of the consumer prepares him to arrive at a decision and take action on it. In this process, the first step is the memory search to discover existing knowledge about the brands that are available and the objective which the consumer wishes to realize through the purchase of a given brand of the product for consumption. An internal search enables the consumer to come to the parameters to be used in the choice of a particular option.

### ***External search of information about options***

If the consumer has self-confidence and feels that the internal information that has been evaluated, is adequate to take the decision, search and evaluation process will stop at that stage. If the consumer feels/thinks that more information than what he has is needed for choice/decision, he turns to external search for information and its evaluation. Information sources may broadly be classified into following groups: friends, relatives and acquaintances, advertisements and the internet. But, this decision depends upon the self-confidence and other traits of character of the

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consumer. A cautious and risk-averting consumer would not like to make a decision without an exhaustive evaluation of maximum information and he would like to opt for the least risky option. Similarly in our opinion, if a consumer loves bargaining because he trusts that every selling establishment always quotes prices higher than those at which the product can be had, he will not only indulge in extensive search but will also choose an outlet where he may bargain.

If it is assumed that the need for the given product has already been recognized, the next step will lead to the collection and evaluation of information. The consumer's satisfaction or urge for more information depends on consumer's temperamental attributes and environment confronting him. But, the sequence of external information search, outlined above, shall be followed if the internal search of accumulated knowledge and choice criteria is found inadequate. Information is used to draw inference(s). Inputs of stimulus and activities springing out of stimulus embody a relation. The meanings emerge out of these.

Stimulus, combined with informational inferences, expose the consumer to externalities. But, exposure may be of any one of the following types: Accidental, Involuntary and Voluntary. Our distinction may be contrasted with that of Louden and Bitta (p. 611). They do not include accidental exposure in their list of types of exposure. Accidental exposure occurs in various ways, say sighting of bill boards during travel where the purpose of visit is different, for example, during the visit to the cricket ground to witness a one-day international match where sponsors and others put up their ads. Involuntary exposure occurs, for example, when one views television programmes or switches on radio to listen to music. Under voluntary exposure, the consumer himself explores different sources of information. The next step is acceptance of the relevant and rejection of irrelevant information. It is only the relevant and important stimuli and information that would receive concentrated attention. This is followed by comprehension of the broad information and derivation of useful inference(s) from the same. This is likely to be stored in short term memory. But, every piece of this information or inference will not be useful in the long run. The last steps of information processing relate to the decision-making process: one of these steps is the evaluation of various options on the basis of the information that has been accessed and accumulated. The information about brands from which choice is to be made has to be subjected to the criteria of choice. The choice criteria are to be recollected from the short run memory. The first of these steps is defined as the step of acceptance. Acceptance is subject to the matching of characteristics of the brand with the characteristics that are expected on the basis of choice criteria. This step either leads to the final acceptance of the option if it falls within *a priori* notions and beliefs that have been formed by consumer or these have to be revised in the light of judgment. Acceptance or modification or even total rejection depends on the consistency between consumer's beliefs and expectation and the view that is formed on the basis of positives or negatives derived from the evaluation of information. Acceptance leads to retention in permanent memory while rejection will lead to its loss. More often than not, the consumer may find one of the few brands on which he has zeroed in, the preliminary information search and examination, to fall in the zone of acceptance. It is rare that all the brands will fall in the region of rejection. It is because the

investigation makes the consumer incline towards purchasing the brand which most matches his expectations.

### ***Modus operandi under LPS***

The operational process under EPS is much shorter and requires less deliberation and involvement of the consumer in information search and its evaluation than that under EPS. The steps are less rigorous. Such goods are generally purchased frequently. Need recognition is entrenched either in memory or he finds the stock of the product purchased earlier exhausted. Groceries and toiletries are examples of such goods. Consequently, either the consumer has enough information about brands or he looks for newly launched or already existing brands for a change. In the first case, internal search suffices while the second case limits the external search to a few alternatives. This restricts the sources of information for exploration. Naturally, options are limited, warranting a limited search for information consideration and examination of which does not take long. The criteria of evaluation are less rigorous since the expectations from the brands are not high. More often than not, the consumer has already used a brand which met his expectation. Consequently, the purchase would be a repeat purchase.

The Engel-Blackwell-Miniard model may be represented by Figure 5.7. The figure covers consumer's behaviour both under EPS and LPS. Naturally, it is comprehensive and a bit more complex than the graphs of other models.

### **Routine Response Behaviour (RRB)**

RRB refers to a type of purchasing scenario whereby the purchaser of a product or a service has past experience with purchasing it and automatically makes the decision to purchase again. Brand recognition plays an important role in RRB. In other words, RRB is a customer behaviour involving the regular purchase of low cost items that require little decision making effort. It reflects a buying pattern in which the purchaser has had extensive past experience, which frequently determines a predictable behavioural pattern. It may also be referred to as habitual response behaviour (HRB).

### **Evaluation of Engel-Blackwell-Miniard Model**

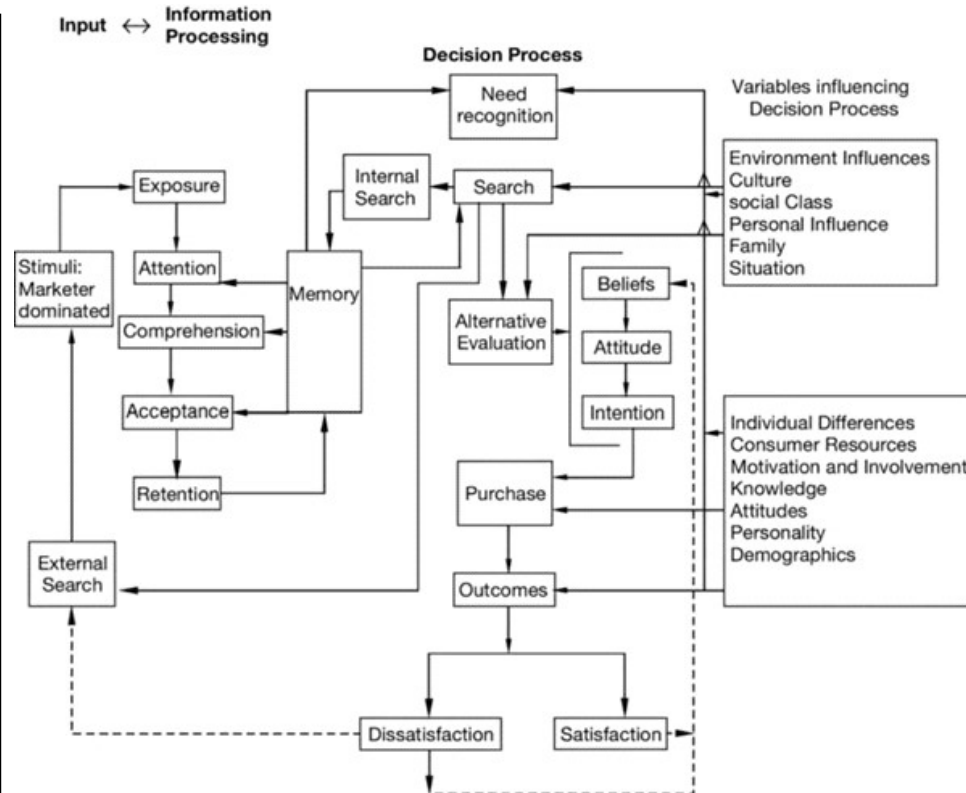
The model can be criticized as being extremely mechanistic and descriptive in its approach and orientation rather than being focussed on organic links between causes and consequences to qualify either as analytical or as theoretical.

The model differs from other models in several respects. The classification into EPS and LPS category of purchase behaviour and detailed explanation distinguishes it from the other three models. The author has taken advantage of the received knowledge to incorporate an extremely large number of variables and parameters. But, this very feature makes it difficult to trace any theory embodied in the model. It may be noted that one of the criteria for judging the development of a scientific discipline is the replacement of several theories by a general theory. So, even if it is accepted that this model encompasses more than one theory of consumer behaviour, it fails this test. Besides, these theories may be contradictory in so far as these may assign differential role and importance to different variables

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and parameters. However, we may consider this model to be a coordinated version of the other models. In that case, the author's contribution to the advancement of knowledge shall be limited. Figure 5.8 shows the Engel-Blackwell- Miniard model.

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*Fig. 5.8 Engel-Blackwell-Miniard Model*

Our observation is supported by the fact that the flow chart of the model is extremely flexible so as to incorporate different theories of consumer behaviour. For example, it incorporates the explanation of purchase behaviour under limited problem solving and extensive problem solving models that actually warrant differential levels of information search, evaluation and decision process.

The detailed elaboration of the basic factors of a consumer's decision process also imposes limitations on the model. Several variables like environment and forces of motivation and their consequences on the purchase decisions have been left unexplained. Moreover, some important factors that influence a consumer's choice are not explained or even mentioned. For example, peer influence on brand selection is not touched at all. In this connection, we may mention the case of a doctor's selection of secondary school for his son and daughter. Almost all the doctors in the city of Bulandshahar have been patronizing the Delhi Public School (DPS). The new doctor entrants into the city either due to transfer or through setting up private practice of their own — have given peer influence as the reason for their choice of DPS.

**Integrated Evaluation of Consumer Behaviour Models**

If the offer price is affordable and compares well with similar competing products in the market, the consumers shall be favourably inclined towards such products

even if these goods might have been produced by smaller companies, provided that budgetary constraint is not violated.

We have critically evaluated each psychological-managerial model of consumer behaviour. We now present a comprehensive and integrated review of all four non-economic models that have been discussed in the unit. The basic limitation of these models is that they focus on consumer's purchase decisions from the viewpoint of psychology and overlook other factors that affect consumer decisions.

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### **Marketing of branded goods by big players**

The marketing of branded goods by big players leaves a large number of unbranded goods and goods produced by small companies with local or regional brand positioning in the market. The products of these companies are, by and large, much cheaper than those produced by big market players. But, the above models have totally overlooked such goods. This is because their main focus is on marketing of big brand products, though the focus should have been on the viewpoint and main concerns of the consumers. The budget conscious consumer's approach is usefulness of the chosen product without transgressing income expenditure constraints. During the current slowdown, numerous regional and local brands, cheaper than the products of big players like HUL, Proctor & Gamble, Godrej, etc., slashed the market shares of big players. This is the pitfall when these models overlook the price-income constraints of consumers.

### **All four models make the same assumptions**

All the four models assume that (a) all consumers behave similarly irrespective of income-education-occupation and gender-age differentials (b) the consumer's tastes and preferences are similar (c) the consumer's responses are the same in different phases of business cycles which occur periodically in all market economies (d) all goods are branded and the nature of all the goods is the same and, (e) the consumer's choices are influenced mainly by psychological rather than economic factors. Even among the economic factors, prices seem to be considered to be more important than income. Often, the high-priced branded goods of large companies are considered to embody higher quality. Quality assessment varies both with prices of goods and income of consumers.

These assumptions defy logic and realism as well as relevance. The fact is that prices and income are both major determinants of consumer's choices. During the boom phase, all variables, including prices, employment and income, move upward and people's expectations also soar high. Greater weight may be assigned to current consumption and less to savings for the future. This results in a splurge in the current consumer expenditure and reduction in savings. Besides, a movement from lower to higher income brackets brings about a sea-change in consumer's tastes and preferences. Consequently, several goods and their brands, which were earlier considered to be unaffordable, fall in the affordability zone. So, the dormant tastes and preferences for higher priced goods/ brands are pushed to the forefront. This brings about a drastic change in choices. More quantities and better quality goods are purchased even at prices higher than before.

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A change in income and income group which one belongs to, coupled with extremely high rise in prices, acts in an opposite direction in the downward phase and stage of the cycles. Job losses and consequent income losses become rampant to push some consumers from higher to lower income brackets. In such cases, the macro environment immediately affects income earners directly. Even those, not immediately affected by this change in macroeconomic environment, feel the pinch. They become apprehensive about their jobs and hence, income loss. Even if the jobs are retained, they may have to accept a lower package. Tastes and preferences have to be pushed down to move from the best to second or even third best options that are available in the market. In view of this, Katona's assumption, that macro fundamentals of the economy are generally tempered by consumer's personal traits, become redundant and irrelevant. It is macro variables that alter the consumer's personal traits. Such assumptions emanate directly from total neglect of price and income as determinants of consumers purchases in these models.

During a slowdown, consumers are forced to rationalize their budget allocation and their allocation pattern may even be totally changed. In order to keep total expenditure within the allocated budgetary limit, quality, price and quantity, all three shall be important, as the total expenditure depends upon all three variables. But, consumers are in no position to overcome income-price constraints. So, they have to compromise on their favourite brands or quality. If the offer price is affordable and compares well with competing products in the market, the consumers shall be favourably inclined towards such products even if they have been produced by smaller companies, provided that budgetary constraint is not violated. Goods/brands, not meeting the price, income and quality constraints of the consumers, will go out of the window so far as the consumer's choices are concerned. This thesis is supported by empirical evidence. Let us consider the above thesis in the light of what has happened during the world wide economic slowdown since 15 September, 2008 in the Indian consumer market.

The growth of the Indian economy had been pushed down from 8-9 to 5-6 per cent and several people, especially those in the export sector, IT and IT enabled services like BPOs, airlines and hospitality industry came under job squeeze. Even those who retained their job had to accept lower packages than what they were getting earlier, making them cash strapped, while many lost jobs altogether. Perforce, they had to live austerely.

### 5.3.6 Consumer Response

Consumers, apprehending possible job loss and hence, income loss and consequent cash- strapping, become cautious buyers. Those who have been rendered short of cash by job loss, can no more afford to buy the above mentioned highly priced products. An income loss makes them fall on savings or other means of income. The first casualty of this psychology shall be such luxurious goods/services as highly expensive entertainment, frequent holidaying abroad, high-priced luxury durables like big cars and all ostentatious purchases. They tend to substitute business class travel by economy class, five by three star hotels and posh luxury apartments, luxury cars, etc., by lower-priced substitutes. They are forced to (i) reduce expenditure on all such items by squeezing larger quantities to buy smaller quantities and (ii) switch from high priced to cheaper varieties.

A decline in demand for such goods, in turn, makes the producers reduce price, offer alternative cheaper models and reduce the output to avoid being left with unsold stock. This is, however, the response of high-income consumers, who specialize in distinctive and ostentatious living styles. The middle and lower income groups are forced to, adjust their consumption basket even with respect to necessities and conveniences, switch over from high priced brands of products of even such goods as personal wash, soaps, detergents, toiletries, cosmetics and even food and snacks. They move away from high to low-priced local or regional brands; even costlier vegetables and fruits may be substituted by cheaper seasonal varieties. Packed non-seasonal vegetables such as Safal's packed peas are substituted by purchase of cheaper loose stuff. This has already happened in the Indian market. HUL's share in the market of detergents was reduced to 37 per cent in July 2009 from 39 per cent in July 2008, while P&G's market share declined from 15.6 per cent to 14.6 per cent during the same period. The local and regional brands, competing with them, are described as 'Low Price Warriors' because they ambush the market of big companies through their proximity to the consumer's concerns which induces them to offer their goods at lower prices. It implies that lower expenditure at lower prices becomes the dominant determinant of purchase decisions.

Market leaders such as Hindustan Unilever, Proctor & Gamble, Nestlé, Dabur, Britannia and Frito-Lays have been forced to revise their operation strategy by focussing more on low-priced small packs. Now, Nestlé focusses more on offers of '2 and '10 ice-packed tea rather than the '75 pack. 'Lays' 'Kurkure' at '5 and potato chips at '10 packs are available, while 'Good Day' biscuits' small pack now costs only '5. Lux soap can be obtained for '10. Thus, a need for austerity in conditions of rising prices in the midst of slow down pushes psychological factors into background and brings economic determinants to the fore.

Managerial models concentrate on mechanism of decision-making rather than causal factors. These models overlook the results of behavioural, social and evolutionary psychology. An implicit assumption of these models is that consumers' preferences, tastes and income may be taken for granted, since consumers are easily manipulated by concerted exposure to promotional measures of marketing by new and existing players and pressure applied by producers. Influence of peer group and changing fashions, reflected by large scale use of a brand, are not an essential part of analysis. Relations of consumers with producers are bi-directional. Consumers' choices, as reflected by demand, make producers respond adequately over a period of time, while offers from producers to consumers also influence consumer's choices. Marketers are only intermediaries. These models overlook the following factors.

1. These models concentrate on mechanism of decision-making rather than causal factors that affect purchase decisions or their outcomes. This facet puts these models beyond the concept of theory.
2. These models overlook the results of behavioural, social and evolutionary psychology which focus on many predictable and non-predictable behavioural irrationalities in consumer behaviour. For example, human behaviour is much more affected by unpleasant rather than pleasant

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experiences. The implication is that even if the consumer has an acceptable experience from a given brand at a given point in time, it is not a guarantee of repeat purchases. Repeat purchase is what has been emphasized in these models. The assumption is even more unrealistic in emerging economies like those of China, Brazil, India, Russia and other globalizing developing economies, where new MNCs have entered with new brands, new products on the one hand and new domestic entrants are emerging as competitors in the market on the other. This enhances the choice horizon of consumers and they tend to experiment.

3. An implicit assumption of these models is that the consumer's preferences, tastes and income may be taken for granted. These variables do not matter since consumers are easily manipulated by concerted exposure to promotional measures of marketing by new and existing players and pressure applied by producers. They assume that consumers tend to pay more attention to peripheral information rather than hard objective facts. They seem to trust the efficacy of now discredited Say's law that supply creates its own demand. Recent experiments have also shown that all human beings initially resist even a small change but once the change becomes the fact of life, they accept it and adjust to it. Besides, memories of past fade fast, while new information is easily remembered. The consumers are no exception to this. So, an entry of new brands and goods at competitive prices or goods at lower prices with the same or even a little lower quality may be preferred, especially during slowing down of the economy. All such changes make brand loyalty of consumers fragile. This has already happened during the recent slowdown. Models that assume that the consumers' repeat purchases of the same brand has been satisfactory, do not cover such facets. Consequently, during these days of customized relationship management being in focus, if firms incessantly bombard satisfied or less-than-satisfied consumers with corrective measures for enhancing consumer's satisfaction, consumers may not move away from a given brand despite earlier less than satisfactory experience.
4. It may be noted that the relation of the consumers and producers is not unidirectional. The consumers' choices, as reflected by demand, make them respond adequately over a period of time, while what producers offer to consumers also influences their choices. Marketers are only intermediaries.
5. The influence of peer group and changing fashions, reflected by large scale use of a brand, are not an essential part of analysis. The limitation of such models from this angle becomes obvious by the following observation of Alan Mitchell (*Economic Times*, 10 Sept., 2009, P.18), 'There are now thousands of experiments demonstrating just how open to influence human beings are. We are manipulated by examples of priming and suggestion such as those above. We fall prey to anchoring and availability, (being more influenced by fresh or easily remembered information rather than by relevant facts). We are strongly swayed by blandishment of social pressure, conformity and fashion.' Many times, the unavailability of the selected brand and availability of alternative brand being pushed persuasively by the



motivated seller makes the buyer change *a priori* decision. Such parameters do not enter into the reckoning of any of these models. This facet makes Dussenberry's and Ando-Modigliani's models far more satisfactory than these models.

6. Consumers tend to take more decisions routinely than through deliberation over facts. Such decisions are based either on superficial information rather than relevant facts or the facts might be considered only in a superficial manner. For example, even when investors decide to invest big chunks of money, they do not give enough time to evaluate the information that may be available to them.
7. Consumers often associate quality differentials with the price differentials. Marketers know it pretty well. They obviously try to take advantage of the same by jacking up prices. For example, a buyer of a new car of a given company is shown only two models, one priced at '3.5 lakh and other '7 lakh. If the apparent features of the two models make them look different, however peripheral the differences may be, in all probability, the consumer will opt for the first model due to a 100 per-cent price differential. If, however, a third model, carrying a price tag of '15 lakh is also on offer, the probability of the second model being preferred is quite high. This demonstrates the influence of availability on the one hand and fragility of the human behaviour and choice on the other. Even a tiny bit of broadening of alternatives may significantly affect choice. But, irrespective of fragility of choice, the above example illustrates that budget constraint and the comparative price differential are decisive. A more expensive model of '7 lakh could not have been chosen if it violated the budgetary constraint of the consumer. This highlights the choice in the context of relativity. This is why economic models always consider purchase decisions within price-income constraints. Managerial models totally disregard this limitation.
8. Models have put more emphasis on mechanism and process rather than consumer's objective, criteria of decision to purchase and its consequence. Simon mentions that the consumer's objective is satisfactory decision rather than maximizing decision. But, he does not offer any criteria to judge whether the decision is satisfying or not. If the consumer considers a given choice as satisfactory or even more satisfactory than others, is it independent of price income constraints?

### 5.3.7 Consumer Behaviour Audit

The consumer behaviour audit is an integral part of the marketing planning process. It plays a major during the entire process of implementation which governs the purchase of a product by a consumer. The consumer behaviour audit considers both external and internal influences on the entire marketing planning.

The objective of conducting consumer behaviour audit is to analyse the attitudes, feelings and experiences which play an influential role in purchasing a product. There are several methods of conducting consumer behaviour audit such as SWOT analysis, PEST and Five Forces Analyses. The consumer behaviour audit helps to assess the changing dynamics of factors which have affected the

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purchase of a product. Also, any kind of increase or decrease in the sale of a product can be easily examined through the consumer behaviour audit. In addition, the consumer behaviour audit helps to identify the major shortcomings in the marketing plan of a company. For instance, corruption, over-pricing, poor quality – all these factors can easily be identified and improvements can be further made on these parameters. Thus, the consumer behaviour audit is an indispensable tool for the dynamic and challenging contemporary marketing scenario.

It is to be noted that the outbreak of the pandemic has brought unprecedented change in consumer behaviour. For instance, consumers who purchased grocery items through e-commerce are likely to continue this trend.

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## 5.4 CONSUMER BEHAVIOUR STUDIES IN INDIA

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### Kotak Mahindra Bank/Birla Sun Life Insurance/ Pogo Channel

Companies are using children to promote their products and services. Companies in industries as diverse as financial services, decorative paints, and automobiles are featuring children in their promotional campaigns. Kotak Mahindra Bank has launched financial products for children, and its advertisements educate children about money. The bank has acquired a large number of minor accounts, and as every minor account is accompanied with a parent account, its gains have been phenomenal. Kotak Mahindra's insights revealed that though parents were eager to teach financial prudence to their children, they themselves were overawed by the complexity of financial products for children. As a result, most parents did not invest in any specific financial plans for their children.



Kansai Nerolac has launched a kid's range of paints, a range of decorative paints, and the company foresees a tremendous increase in sales in this category.



The presence of children in an advertisements increases its visibility and persuasive power. Marketers are also realizing that children are influencing the purchase decisions in their families, as they are well informed, and have started having a life of their own at a much younger age. Children of working parents spend lot of time on their own, and are mature beyond their years. Parents are happy to let their children decide what the family should buy in categories as diverse as cars, holidays, and insurance. Children influence and participate in family decision making.

Companies are also associating with children in other ways. For example, Bajaj Allianz has set up the Bajaj Allianz Junior Football camp, in which talented children are selected and sent to a football training camp organized by FC Bayern Munich in Germany. These children get a scholarship when they return from the camp. The company connects with children and their parents as they visit schools and clubs scouting for talent. It also organizes talent hunts in schools to discover the unique talents of children. Birla Sun Life Insurance builds its association with parents through a website ‘*notjustjobsbutpassion*’ that helps children discover their passion through an online scoring mechanism.

Pogo channel has tied up with Knorr Soupy Noodles and Parle G to launch a school contact program, in which it interacts with more than 5 lakh students from 550 schools. *ChhotaBheem* (a popular cartoon character) engages these children in fun and learning sessions that train them on safety and etiquette, and organizes games and quiz contests for them. These events are aptly called *Bheem’sMasti Ki Class* (Bheem’s fun-filled classes).

### Questions

1. How are children influencing decision making in their families?
2. How are companies using children in their promotional activities?
3. Is it ethical to target children to influence purchase decisions?

### Check Your Progress

1. Mention the four broad categories of factors that influence organizational buyer behaviour.
2. What is a model of consumer behaviour?
3. What are the types of goods?
4. What is the main focus of managerial models of consumer behaviour?

## 5.5 ANSWERS TO ‘CHECK YOUR PROGRESS’

1. There are four broad categories of factors — environmental, organizational, interpersonal and individual — that influence organizational buyer behaviour.
2. A model of consumer behaviour may be defined as the model that deals with the decisions of consumption made by decision-making entities and it may fall in any of the different categories of models.

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3. Goods are of four types. There are high-priced consumer durables that are not purchased frequently. The second group comprises low priced consumer durables which are purchased more than once but not frequently. The third group is of semi- durables that are used over short periods and are periodically purchased. The last category is of goods of daily use; these are low-priced and frequently purchased.
4. Managerial models focus more on decision process than on causes and consequences of consumer's decisions, which the economic models focus upon. Managerial models emphasize mainly psychological motivation and the consequent process that takes place in consumer's mind before, during and after the purchase decision has been made and executed.

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## 5.6 SUMMARY

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- Organizational buying behaviour process is different from consumer buying process, as the emotional and psychological considerations are absent in the former. However, since organizational buyers are also human, some 'emotion' might be involved there. Of course, commercial considerations are always given primary importance during purchasing decisions.
- It is obvious that organizational purchasing is more 'scientific' than consumer goods purchasing. There is the existence of reference groups within organizational situations, and there can be influences from outside of the purchasing department. It can also be noticed that individual buyers have discreet psychological attributes which may also influence decision making.
- There are four broad categories of factors — environmental, organizational, interpersonal and individual — that influence organizational buyer behaviour. Understanding these factors is important to the marketer in order to develop an effective marketing strategy.
- The interaction between people has a significant bearing on organizational buying decisions. As people interact, they may share information and also try to influence the buying outcome for their own interests. This influence of a person on another is interpersonal influence.
- Planners make a purchase under three different situations. Each of these situations will influence the process of organizational buying.
- A model is required to be formulated if the consumer has to make a choice from the different options that are available. If the decision unit has no option to choose from, leaving a consumer either to take or leave what is available, then it is called Hobsons' choice-based decision. An example is a monopolist electricity supply company in a city.
- The basis of classification of purchase decisions may be the nature and price of the product, frequency of purchase and the intensity of effort involved in decision regarding the exercise of the choice in favour of the preferred option.

- An absence of choice eliminates the need for information gathering and its detailed consideration. Single option decisions are said to fall in the 'no decision' category. This view is wrong.
- Some of the consumer's decisions fall in the novelty, exploratory and pioneering category. Such decisions have no backing of past experience, tradition or even set criterion/criteria to guide the decision-making.
- If there are a lot of options, they will make the gathering of complete information an exhaustive effort, consumers will be required to first reduce the range of information to a finite sub-set of distinctive and relevant information.
- There are three distinct approaches to analyse consumer behaviour. These are: economic approach, psychological approach and managerial approach.
- The managerial approach to consumer decisions has largely been the concern of marketing experts. Naturally, they have focussed on such traits of consumer decisions that impinge upon the promotion of the marketing of their products.
- The other critical observations in this chain are based on the assumptions of so called classical theory of consumption. The critics observe that the classical economic theory of consumer behaviour assumes that the consumers (i) buy in a perfectly competitive market (ii) consumption decisions are based on rational evaluation of conditions that the consumers are confronted with and, (iii) it is a model/theory of purchase decisions of an economic man.
- Managerial models focus more on decision process than on causes and consequences of consumer's decisions, which the economic models focus upon. Managerial models emphasize mainly psychological motivation and the consequent process that takes place in consumer's mind before, during and after the purchase decision has been made and executed.
- The Nicosia (1966) model is an important contemporary model of consumer behaviour. Nicosia is one of the earlier analysts who shifted focus from the act of purchase to the decision process that is undertaken by consumers with regard to the purchase of goods and services before, during and after the actual purchase.
- The Howard-Sheth Model (1969) is purported to have presented an integrating framework of an exhaustive theory of consumer behaviour.
- Extensive Problem Solving is marked by the absence of choice criteria used to select a given brand in the early stage when the consumer has only limited information about the brands.
- The sequence of different activities of stages of decision-making is also erroneous. In our opinion, the first stage is the awakening and awareness of the need that leads to the arousal of desire.
- The operational process under EPS is much shorter and requires less deliberation and involvement of the consumer in information search and its

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evaluation than that under EPS. The steps are less rigorous. Such goods are generally purchased frequently.

- If the offer price is affordable and compares well with similar competing products in the market, the consumers shall be favourably inclined towards such products even if these goods might have been produced by smaller companies, provided that budgetary constraint is not violated.
- Consumers, apprehending possible job loss and hence, income loss and consequent cash- strapping, become cautious buyers. Those who have been rendered short of cash by job loss, can no more afford to buy the above mentioned highly priced products.

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## 5.7 KEY TERMS

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- **Organizational buying behaviour:** This is the decision-making process by which formal organizations establish the need for purchased products, and identify, evaluate, and choose among alternative brands and suppliers.
- **Routine Response Behaviour (RRB):** It refers to a type of purchasing scenario whereby the purchaser of a product or a service has past experience with purchasing it and automatically makes the decision to purchase again.
- **Managerial models of consumer behaviour:** These models emphasize mainly psychological motivation and the consequent process that takes place in consumer's mind before, during and after the purchase decision has been made and executed.

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## 5.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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### Short-Answer Questions

1. What are the elements of organizational buying process?
2. What are the interpersonal factors which influence organizational buyer behaviour?
3. Write a short note on organizational buying situations.
4. Why is it necessary to have a consumer behaviour model?
5. State the differences between managerial models of consumer behaviour and the economic models of consumer behaviour.
6. What are the basic features of Howard-Sheth Model?

### Long-Answer Questions

1. Explain the steps involved in the organizational buying process with the help of an example.
2. Discuss the factors influencing organizational buyer behaviour.

3. Describe the types of purchasing decisions. Support your answer with examples.
4. Analyse the different approaches to consumer behaviour.
5. Describe the different models of consumer behaviour.
6. 'The Nicosia (1966) model is an important contemporary model of consumer behaviour.' Elucidate the statement.
7. Critically evaluate Engel-Blackwell-Miniard Model.

## **NOTES**

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### **5.9 FURTHER READING**

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