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**CONSUMER BEHAVIOR (05 MBAMM313)**  
*STUDY MATERIAL*

MBA II Year  
Semester III

**COURSE FACILITATOR**  
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## MODULE- I

### INTRODUCTION TO THE CB:

#### Definition:

*“CB behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption.”- James F Engel, Roger D Blackwell and Paul Miniard.*

*“The mental and emotional processes and the physical activities of people who purchase and use goods and services to satisfy particular needs and wants”- Bearden et al.*

*“The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of, if products and services that they expect will satisfy their needs.”- Leon G Schiffman and Leslie Lazar Kanuk*

#### Selected Consumer Behaviour Roles:

<b>Role</b>	<b>Description</b>
Initiator	Initiator is the individual who determines that some need or want is not being fulfilled and authorises a purchase to rectify the situation.
Gatekeeper	Influences the family’s processing of information. The gatekeeper has the greatest expertise in acquiring and evaluating the information.
Influencer	Influencer is a person who, by some intentional or unintentional word or action, influences the buying decision, actual purchase and/or the use of product or service.
Decider	The person or persons who actually determine which product or service will be chosen.
Buyer	Buyer is an individual who actually makes the purchase transaction.
User(s)	User is a person most directly involved in the use or consumption of the purchased product.

#### The diversity of CB:

Human being differs from one to another. It is not easy to predict the human behaviour. Human being differs in their taste, needs, wants and preferences. But one constant thing is that we all are consumers.

CB is a vast and complex subject. Understanding CB and “knowing consumers’ are not that simple. It is almost impossible to predict with one hundred per cent accuracy, how consumer(s) will behave in a given situation. Marketers are interested in watching people shopping, flirting, parading, playing, entertaining, as they are keenly interested in the wide variety of behaviours they display. The efforts of all marketers are to influence the behaviour of consumers in a desired manner. The success or failure in this pursuit determines the difference between success and failure of marketing efforts or even the business itself.

### **Why we study of CB:**

The term CB is defined as the behaviour that consumers' display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. CB focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items.

The term CB describes two different kinds of consuming entities: the personal consumer and the organizational consumers. The Personal consumer buys goods and services for his or her own use, for the use of the household or as a gift for a friend. In each of these contexts, individuals, who are referred to as end users or ultimate consumers, buy the products for fine use.

The second category of consumer- the organizational consumer- includes profit and not-for-profit businesses, government agencies (local, state, and national), and institutions (e.g. Schools, hospitals, and prisons), all of which must buy products, equipments and services in order to run their organization.

### **Why the field of CB developed:**

In order to succeed in any business, and especially in today's dynamic & rapidly evolving market place, marketers need to know everything they can about consumers – what they want, what they think, how they work, how they spend their leisure time. The field of CB is rooted in the Marketing concept.

- Production concept
- Product concept
- Selling Concept
- Marketing concept- CB developed from this concept. Here everything is executed from the point of view of Consumer.

### **Ethics of Marketing & Corporate Environment:**

No environmental degradation- less promotion for tobacco & drug- the societal marketing concept requires that all marketers adhere to principles of social responsibility in the marketing of their goods & services. According to the societal marketing concept, fast-food restaurants should develop foods that contain less fat and starch and more nutrients, and marketers shouldn't advertise alcoholic beverages or cigarettes to young people, or use young models or professional athletes in liquor or tobacco advertising.

Some critics are concerned that an in-depth understanding of CB makes it possible for unethical marketers to exploit human vulnerabilities in the market place and engage in other unethical marketing practices in order to achieve individual business objectives. As a result, many trade associations have developed industry wide code of ethics.

### **Business School Education:**

Consumers also stand to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. As we study what has been discovered about the behaviour of others, we can gain insight into our own interactions

with the marketplace. For example, when we learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases, and not spent according to pre-planned shopping lists, we may be more willing to plan our purchases in an effort to save money. In general, as we discover the many variables that can influence consumers' purchases. We have the opportunity to understand better how they affect our own behaviour.

What is learned about consumer behaviour can also directly benefit consumers in a more formal sense. The knowledge can serve as data for the development of educational programs designed to improve consumers' decision-making regarding products and services. Such courses are now available at the high school and college level and are becoming increasingly popular. To be most effective, these educational programs should be based on a clear understanding of the important variables influencing consumers.

### **Consumer Movement:**

Marketing evolved through production concept to marketing concept. And marketing concept is nothing but consumer-oriented approach. Until company satisfy the needs and wants of consumer the whole efforts to bring the product in the market fails. Companies had to engage in extensive marketing research to identify unsatisfied consumer needs. In this process, marketers learned that consumers were highly complex as individuals had very different psychological and social needs, quite apart from their survival needs. They also discovered that needs and priorities of different consumer segments differed significantly. They realised that to design products and develop suitable marketing strategies that would satisfy consumer needs, they had to first study consumers and the consumption related behaviour in depth. In this manner, market segmentation and marketing concept paved the way for the application of consumer behaviour principles to marketing strategy.

### **Consumer Research:**

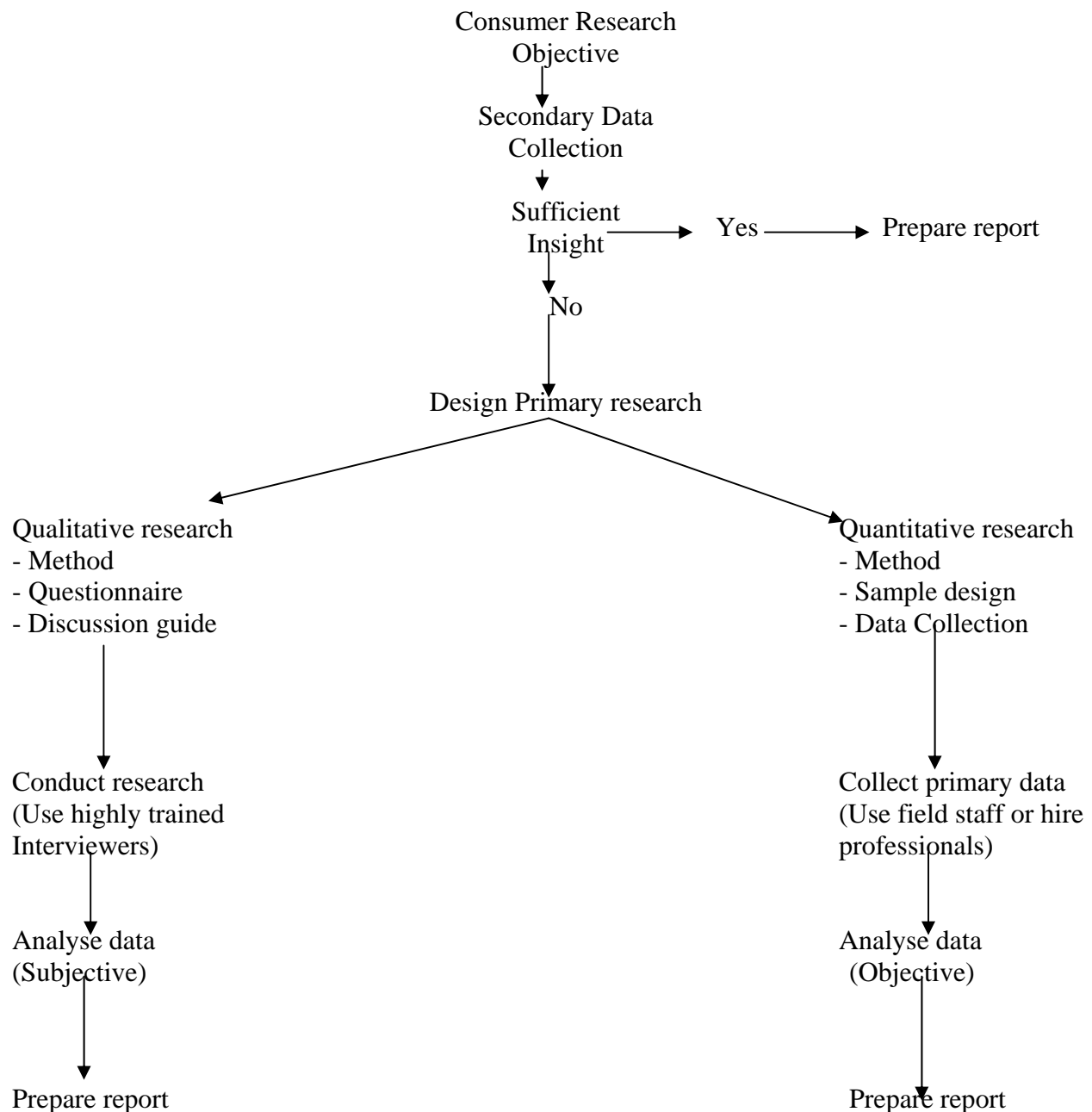
#### **(A) Consumer researchers today use two different types of RM to study CB**

- (i) **Quantitative Research:** It is also known as positivism – researchers are known as positivist. The research methods used in positivist research are borrowed primarily from the natural sciences and consist of experiments, survey techniques and observation. The findings are descriptive, empirical and, if collected randomly (using a probability sample) can be generalized to larger population.
- (ii) **Qualitative Research:** It is also known as interpretivism. Researchers are also known as interpretivists. Among the RM they use are depth interviews, projective techniques, and other methods borrowed from cultural anthropology. Broadly speaking, the findings of qualitative research cannot be generalized to large population.

Marketers have discovered that these two research paradigms are really complementary in nature. The prediction made possible by positivist research together produce a richer and more robust profile of consumer behaviour than either research approach used alone.

**(B) The consumer research process:**

**Steps in Consumer Research Process:**



**(i) Developing research objectives:**

A carefully thought out statement of objectives helps to define the type and level of information needed. Is it to find out consumer attitudes about online shopping? To determine what percentage of households e-mail?

**(ii) Collecting Secondary Data:**

Internal sources: P&L statement, balance sheets, sales figure, and prior research report.

External sources: Govt publication, periodicals and books & commercial data.

**(iii) Designing primary research:**

**Quantitative research designs:** Three Basic RD used here are

- **Observational Research:**

OR is an important method of consumer research because marketers recognize that the best way to gain an in-depth understanding of the relationship between people & product is by watching them in the process of buying and using products. Many large corporations and advertising agencies used trained researchers/observers to watch note & sometimes videotape consumers in stores, malls or their own homes.

Mechanical observation like security cameras in ATM counter to observe problems customer may have in using ATMs.

- **Experimentation:**

The best example is shopping mall; we can judge the consumers inside about how long respondents spend in looking at the product, the time spent in examining each side of the package, the products purchased, and the order of the purchases.

- **Surveys:**

If researchers wish to ask consumers about their purchase preferences and consumption experiences they can do so in person, by mail, by telephone or online through questionnaire.

**Qualitative RD & Data Collection Method:**

- **Depth Interview:**

It is a lengthy (generally 30mnts to an hour) non-structured interview between a respondent and a highly trained interview between a respondent and a highly trained interviewer. Respondents are encourages to talk freely about their activities, attitudes and interest to the product category or brand under study.

- **Focus Group:**

Consists of 8 to 10 respondents who meet with a moderator-analyst for a group discussion “focussed” on a particular product or product category. Respondents are encouraged to discuss their interests, attitudes, reactions, motives, life styles, feelings about the product or product category, usage experience and so forth.

- **Projective Techniques:**

Designed to tap the underlying motives of individuals. They consist of a variety of disguised tests that contain ambiguous stimuli, such as in complete sentences, untitled pictures or cartoons, work association test.

- (i) **Thematic Apperception Test (TAT):** respondents are shown pictures or cartoons concerning the product or the topic under study and asked to describe what is happening in the picture. It is believed that respondents will actually reveal their own motivations, attitudes, personalities and feelings about the situations.
- (ii) **Word Association Test:** This is a relatively old and simple technique. Respondents are read a series of words or phrases, one at a time and asked to answer quickly with the first word that comes into mind after hearing each one. By responding in rapid succession, it is assumed that they indicate what they associate most closely with the word or phrase spoken and reveal their true feelings.
- (iii) **Sentence Completion Test:** The interviewer reads the beginning of a sentence and the respondent is required to finish it. This technique is believed to be useful in uncovering the images consumers have about products and stores. The information collected can be used to develop promotional campaigns.
- (iv) **The Third Person Technique:** The interviewer asks the respondent to describe a third person. For this, respondents are presented with some information about the person. It is believed that when they describe a neighbour or a third person, they usually respond without hesitation and in doing so, they express their own attitudes or motives as they infer the attitudes or motives of someone else.

- (iv) **Sampling & data collection:**

Probability sampling – Non-probability sampling.

- (v) **Data analysis and reporting research findings:**

In qualitative research, the moderator or test administrator usually analyses the responses received. In quantitative research, the researcher supervises the analysis.

- (vi) **Report Preparation:**

In both qualitative & quantitative research, the research report includes a brief executive summary of the findings. Depending on the assignment from marketing management, the research report may or may not include recommendations for marketing action.

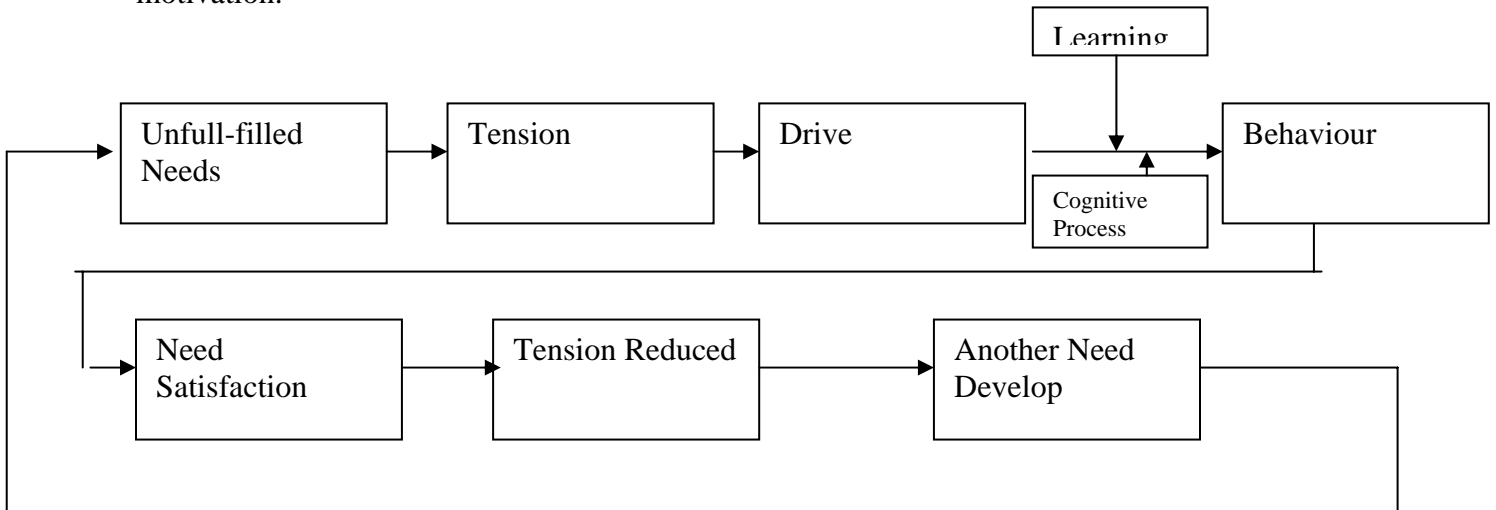
The body of the report includes a full description of the methodology used and for quantitative research, also includes tables and graphics to support the findings. A sample of the questionnaire is usually included in the appendix to enable management to evaluate the objectivity of the findings.

## MODULE – II

### CONSUMER AS AN INDIVIDUAL:

#### Consumer needs and Motivation:

**Motivation:** Basic drive in the individual, which enable a man to act in a particular way, called motivation.



**Needs:** Every individual has needs. **Innate Needs:** Physiological (food, water, air, clothing, shelter, sex). It is called primary needs also. **Acquired Needs:** We learn in response to our culture or environment. Self-esteem, prestige, affection, power, learning. Because, acquired needs are generally psychological. They are considered secondary needs.

**Goals:** Goals are the sought-after results of motivated behaviour. If a person tells his parents the he wants to get a graduate degree, he has stated a generic goal. If he says he wants to get a graduate degree, he has stated a generic goal. If he says he wants to get an MBA degree from CMRIT then he has expressed a product specific goal.

The goals selected by individuals depend on their personal experiences, physical capacity, prevailing cultural norms and values and the goal's accessibility in the physical and social environment.

#### **Positive & Negative Motivation:**

We may feel a driving force toward some object or condition or a driving force, which takes away from some object or condition. For example, a restaurant to fulfil a hunger need, and away from motorcycles transportation to fulfil a safety need.

Some psychologists refer to positive drives as needs, wants or desires and to negative drives as fear or aversion.



## **Rational Vs Emotional Motives:**

Consumer behaviourists say that consumers behave rationally by carefully considering all alternatives and choosing those that give them the greatest utility. In a marketing context, the rationality implies that consumers select goals based on totally objective criteria, such as size, weight, price etc. Emotional motives imply the selection of goals according to personal or subjective criteria (e.g. pride, fear, affection or status).

## **The Dynamics of Motivation:**

Motivation is a highly dynamic construct that is constantly changing in relation to life experiences. Needs and goals change & grow in response to an individual's physical condition, environment, interaction with others, and experiences. As individuals attain their goals, they develop new ones. If they don't attain their goals they continue to strive for old goals or they develop substitute goals.

## **Frustration:**

Failure to achieve a goal often results in feelings of frustration. The barrier that prevents attainment of a goal may be personal to the individual (e.g. limited physical or financial resources) or an obstacle in the physical or social environment (e.g. a storm that causes the postponement of a long-awaited vacation) regardless of the cause; individuals react differently to frustrating situation. Some substitute goals. And some follow other defence mechanism.

## **Defence Mechanisms:**

When needs are not satisfied then you get frustrated. Even you set the substitute goals then also at the initial stage, there will be frustration.

- ◆ Aggression: throwing rotten tomato to players after defeating.
- ◆ Rationalisation: Failed in exam, as I have not studied well.
- ◆ Regression: Childish behaviour, spill ink on shirt in show room.
- ◆ Projection: Blame on something else or some one else.
- ◆ Autism: Unrealistic psychological thinking based on emotions. Marketer in advtg, e.g. Sprays, perfumes, denim, uses it.
- ◆ Withdrawal: You expect that within one year, you will get promotion, if you don't get then leave the job.
- ◆ Identification: I don't get promotion then identify that 'X' has got promotion because of some close link up with management.
- ◆ Repression: If you can't achieve then you forget that once you had such desire.

## **Arousal of Motives:**

- ◆ **Physiological Arousal:** A decrease in body temperature will induce shivering, which makes the individual aware of the need for warmth. Secretion of sex hormones will awaken the sex need. For example, a person who is cold may turn up the heat in his bedroom and also make a mental note to buy a warm cardigan sweater to wear around the house.
- ◆ **Emotional Arousal:** Sometimes day dreaming results in the arousal or stimulation of latent needs. People who are bored or who are frustrated in trying to achieve their goals often engage in day dreaming (autistic thinking) in which they imagine themselves in all sorts of

desirable situations. A young woman who daydreams of a torrid romance may spend her free time in Internet.

- ◆ **Cognitive Arousal:** Sometimes random thoughts can lead to a cognitive awareness of needs. An advertisement that provides reminders of home might trigger instant yearning to speak with one's parents. This is the basis for many long-distance telephone company campaigns that stress the low cost of international long-distance rates.
- ◆ **Environmental Arousal:** The set of needs an individual experiences at a particular time are often activated by specific cues in the environment. Without these cues, the needs might remain dormant. For example, the 6<sup>o</sup> clock news, the sight or smell of bakery goods, fast-food commercial on television, the end of school day- all of these may arouse the "need" for food.

### **Types & Systems of Needs:**

For many years, psychologists and others have attempted to develop a comprehensive list of motives. Most authorities agree about specific physiological needs but there is marked disagreement about specific psychogenic or secondary needs.

Henry Murray (1938) prepared a list of 28 psychogenic motives. He believed that everyone has the same basic set of needs. What differs among individuals is that they attach different priority and ranking to these needs. Some important psychogenic motives pointed out by Murray include acquisition, achievement, recognition and exhibition, which are believed to play an important role in consumer behaviour.

#### **(i) Murray's List of Psychogenic Needs:**

##### **Needs associated with inanimate objects:**

Acquisition, Conservancy, Order, Retention, Construction.

##### **Needs that reflect ambition, power, accomplishment, and prestige:**

Superiority, Achievement, Recognition, Exhibition, Inviolacy (inviolable attitude), Inavoidance (to avoid shame, failure, humiliation, ridicule), Defendance (defensive attitude), Counteraction (counteractive attitude)

##### **Needs concerned with human power:**

Dominance, Deference, Similance (suggestible attitude), Autonomy, Contrarianism (to act differently from others)

##### **Sadomasochistic Needs:**

Aggression, Abasement

##### **Needs concerned with affection between people:**

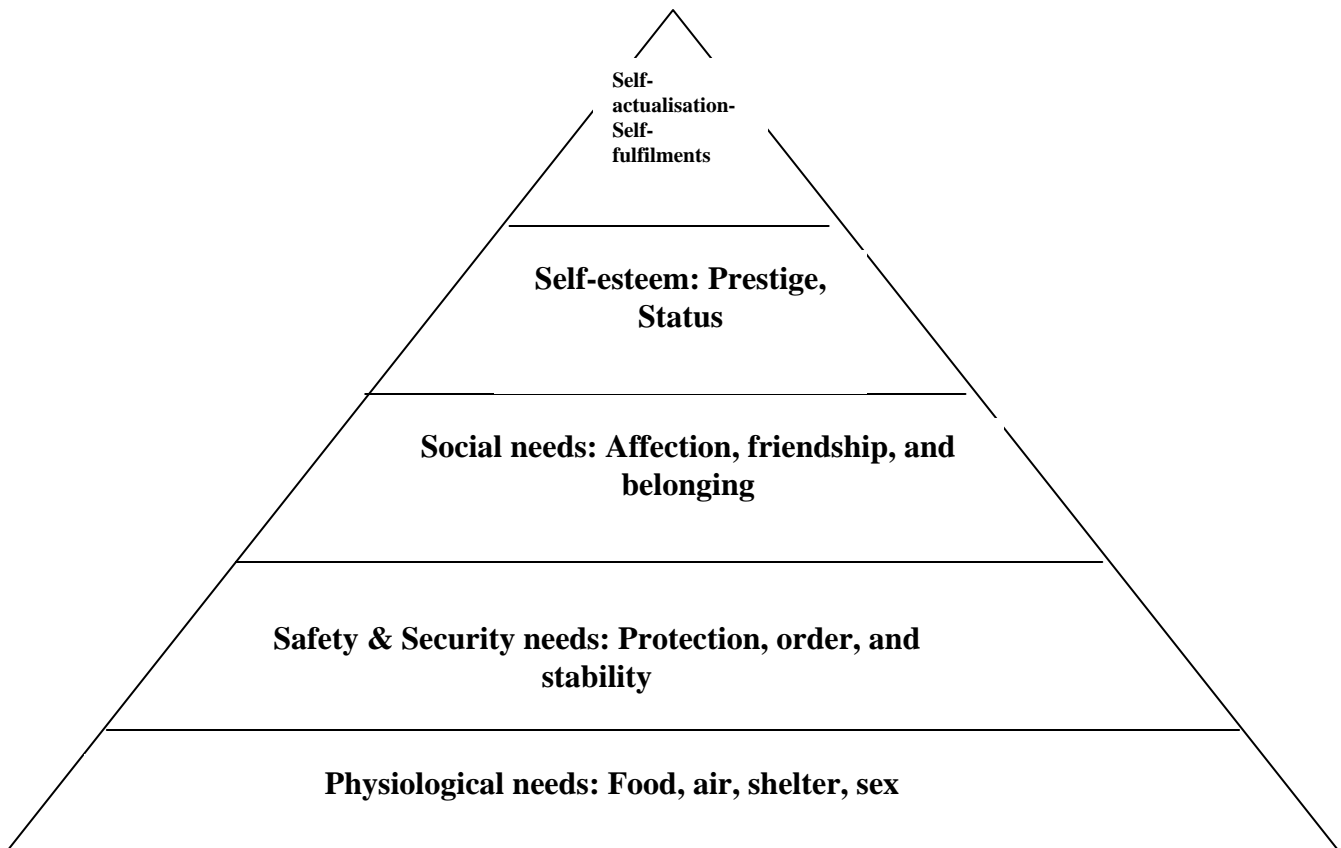
Affiliation, Rejection, Nurturance, Succorance (to seek aid, protection, or sympathy), play.

##### **Needs concerned with social intercourse (the needs to ask and tell):**

Cognizance (inquiring attitude)

Exposition (expositive attitude)

(iii) **Maslow's Need hierarchy:**



**The Measurement of Motives:**

How are motives identified? How are they measured? How do researchers know which motives are responsible for certain kinds of Behavior? These are different questions to answer because motives are hypothetical constructs that is- they can't be seen or touched, handled, smelled, or otherwise tangibly observed. For this reason no single measurement method can be considered a reliable index. Instead, researchers usually rely on a combination of various qualitative research techniques to try to establish the presence and/or the strength of various motives.

**Motivational Research:**

The concept of motivation research has been offered as a means of identifying consumers' true, underlying purchase motives. The term is typically not used to describe just any type of research on motivational issues. It refers to certain research techniques and, to some extent, ways of interpreting information about motivation generated by this technique.

- (i) **The development of Motivational Research:** Sigmund Freud's psychoanalytic theory of personality provided the foundation for the development of motivational research. 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. Freud constructed his theory from patients' recollections of early childhood experiences, analysis of their dreams, and the specific nature of their mental and physical adjustment problems.

Dr. Ernest Dichter, formerly a psychoanalyst in Vienna, adapted Freud's psychoanalytical techniques to the study of consumer buying habits. Up to this time marketing research had focused on what consumers did (i.e., quantitative, descriptive studies). Dichter used qualitative research methods to find out why they did it. Marketers were quickly fascinated by the glib, entertaining, and usually surprising explanations offered for consumer behaviours, especially since many of these explanations were grounded in sex. For example, marketers were told that cigarettes and Lifesaver candies were bought because of their sexual symbolism.

By the early 1960s, however, marketers realized that motivational research had a number of drawbacks. Because of the intensive nature of qualitative research, samples necessarily were small; thus, there was concern about generalizing findings to the total market. Also, marketers soon realized that the analysis of projective tests and depth interviews was highly subjective. The same data given to three different analysts could produce three different reports, each offering its own explanation of the consumer behaviour examined. Critics noted that many of the projective tests that were used had originally been developed for clinical purposes rather than for studies of marketing or Consumer Behavior.

(ii) **Evaluation of Motivational Research:**

Despite its criticisms, motivational research is still regarded as an important tool by marketers who want to gain deeper insights into the whys of CB than conventional marketing research techniques can yield. Since motivational research often reveals unsuspected consumer motivations concerning product or brand usage, its 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 unrecognised needs.

Motivational research also provides marketers with a basic orientation for new product categories and enables them to explore consumer reactions to ideas and advertising copy at an early stage to avoid costly errors. Furthermore, as with all qualitative research techniques, motivational research findings provide consumer researchers with basic insights that enable them to design structured, quantitative marketing research studies to be conducted on larger, more representative samples of consumers.

### **Consumer Modelling:**

#### **Definition of a Model:**

A model can be defined as a simplified representation of reality. It simplifies by incorporating only those aspects of reality that interest the model builder. Other aspects that are not of interest only add to the complexity of the situation and can be ignored. Thus an architect's model of a building may not show furniture arrangements if that is not important to the building's design. Similarly, in modelling consumers we should feel free to exclude any aspects that are not relevant to their

Behavior. Since we have defined consumer Behavior as involving a decision process, models that focus on this process will be of considerable interest to us.

### **Types of Models:**

Any given property or process can be modelled in a variety of ways. We could model something by verbally describing it, by representing it with diagrams or mathematical symbols, or by characterizing it with some physical process such as electrical current. The most common consumer-behavior models are verbal, often supported by a schematic drawing.

Consumer-behavior models can also be classified in terms of scope. Some are designed to represent a very specific aspect of behavior, such as consumers' repetitive purchasing of the same brand over a period of time. Others are much more comprehensive because they attempt to include a great variety of consumer behaviours. These comprehensive models are less detailed in nature so that they can represent many diverse situations.

### **Use of Models**

Models are devised for a variety of reasons, but the two purposes for developing most consumer models are (1) to assist in constructing a theory that guides research on consumer behavior and (2) to facilitate learning what is presently known about consumer behavior. In both cases the model serves to structure systematic and logical thinking about consumers.

#### **The Economic Model:**

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximising his gains.

Economic Man model is based on:

**Price effect:** Lesser the price of the product, more will be the quantity purchased.

**Substitution effect:** Lesser the price of the substitute product, lesser will be the utility of the original product bought.

**Income effect:** When more income is earned, or more money is available, more will be the quantity purchased.

This model, according to behavioural scientists is, not complete as it assumes the homogeneity of the market, similarity of buyer behaviour and concentrates only on the product or price. It ignores all the other aspects such as perception, motivation, learning, attitudes, personality and socio-cultural factors. It is important to have a multi-disciplinary approach, as human beings are complex entities and are influenced by external and internal factors.

#### **Learning Model:**

This model is also named as Pavlovian learning model after the Russian Physiologist Ivan Pavlov. He experimented on a dog and observed how it responded on the call of a bell and presenting it with a piece of meat. The responses were measured by the amount of saliva secreted by the dog. Learning is defined as the changes in behaviour, which occur by practice and, based on previous experience. This is important to marketers as well.

## Drives:

This is a strong internal stimulus, which impels action. Because of the drive, a person is stimulated to action to fulfil his desires.

Can be innate which stem from physiological needs, such as hunger, thirst, pain, cold, sex, etc. Learned drive, such as striving for status or social approval.

Responses are what the buyer does, i.e. buys or does not buy.

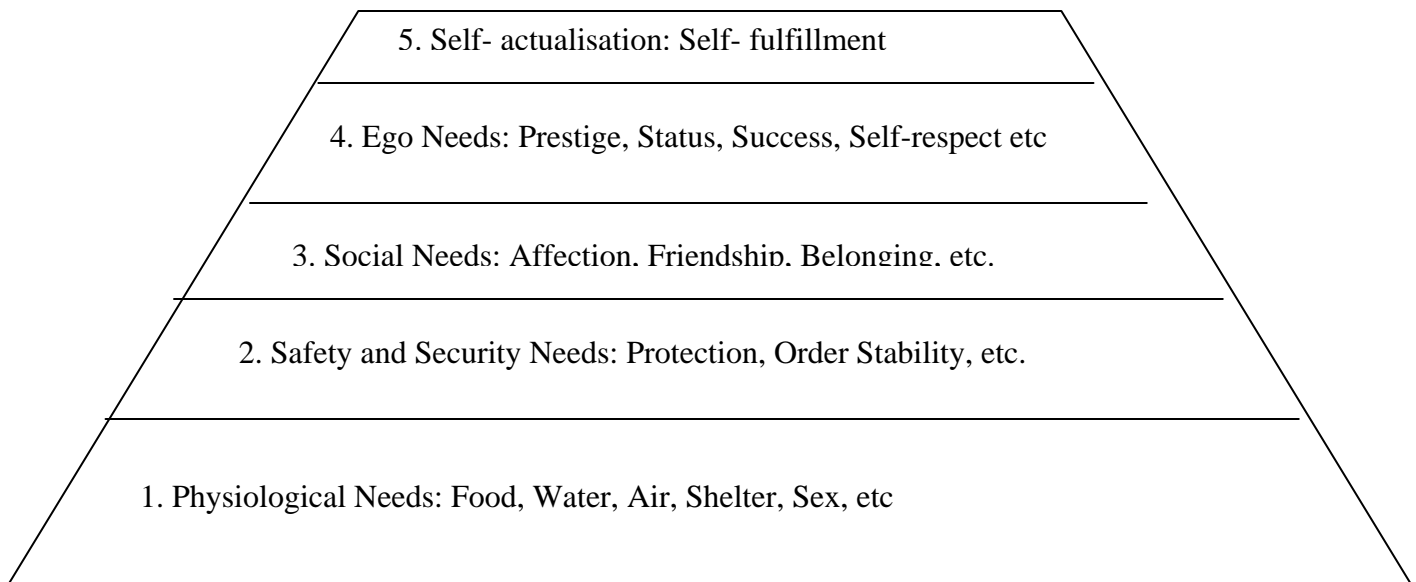
## Reinforcement

Thus when a person has a need to buy, say clothing, and passes by a showroom and is attracted by the display of clothing, their colour and style, which acts a stimulus, and he makes a purchase. He uses it, and if he likes it, enforcement takes place and he is happy and satisfied with the purchase. He recommends it to his friends as well, and visits the same shop again. Learning part, thus is an important part of buyer behaviour and the marketer tries to create a good image of the product in the mind of the consumer for repeat purchases through learning.

## Psychoanalytical model:

Psychologists have been investigating the causes, which lead to purchases and decision-making. A.H. Maslow has answered this in his hierarchy of needs. The behaviour of an individual at a particular time is determined by his strongest need at that time. The behaviour of an individual at a particular time is determined by his strongest need at that time. This also shows that needs have a priority. First they satisfy the basic needs and then go on for secondary needs.

Motivational forces govern the purchasing process and behaviour. Motivation stimulates people into action. Motivation starts with the need. It is a driving force and also a mental phenomenon. Need arises when one is deprived of something. A tension is created in the mind of the individual, which leads him to a goal directed behaviour, which satisfies the need. Once a need is satisfied, a new need arises and the process is continuous.



## **Sociological model:**

This is concerned with the society. A consumer is a part of the society and he may be a member of many groups in a society. These groups influence his behaviour. Primary groups of family friends and close associates exert a lot of influence on his buying. A consumer may be a member of a political party where his dress norms are different. As a member of an elite organisation, his dress requirements may be different, thus he has to buy things that conform to his lifestyles in different groups.

## **The Howard Sheth Model:**

This model is slightly complicated and shows that consumer behaviour is a complex process and concepts of learning; perception and attitudes influence consumer behaviour. This model of decision-making is applicable to individuals. It has four sets of variables, which are:

- (i) Input
- (ii) Perceptual and Learning constructs
- (iii) Outputs
- (iv) Exogenous or external variables

### **Input:**

Some inputs are necessary for the customer for making decisions.

(a) Significance stimuli: These are physical tangible characteristics of the product. These are price, quality, distinctiveness, services rendered and availability of the product. These are essential for making decisions.

(b) Symbolic stimuli: These are the same as significant characteristics, but they include the perception of the individual, i.e. price is high or low. Quality is up to the mark or below average. How is it different from the other products, what services can the product render and, what is the position of after sales service and how quickly or easily is the product available and, from where.

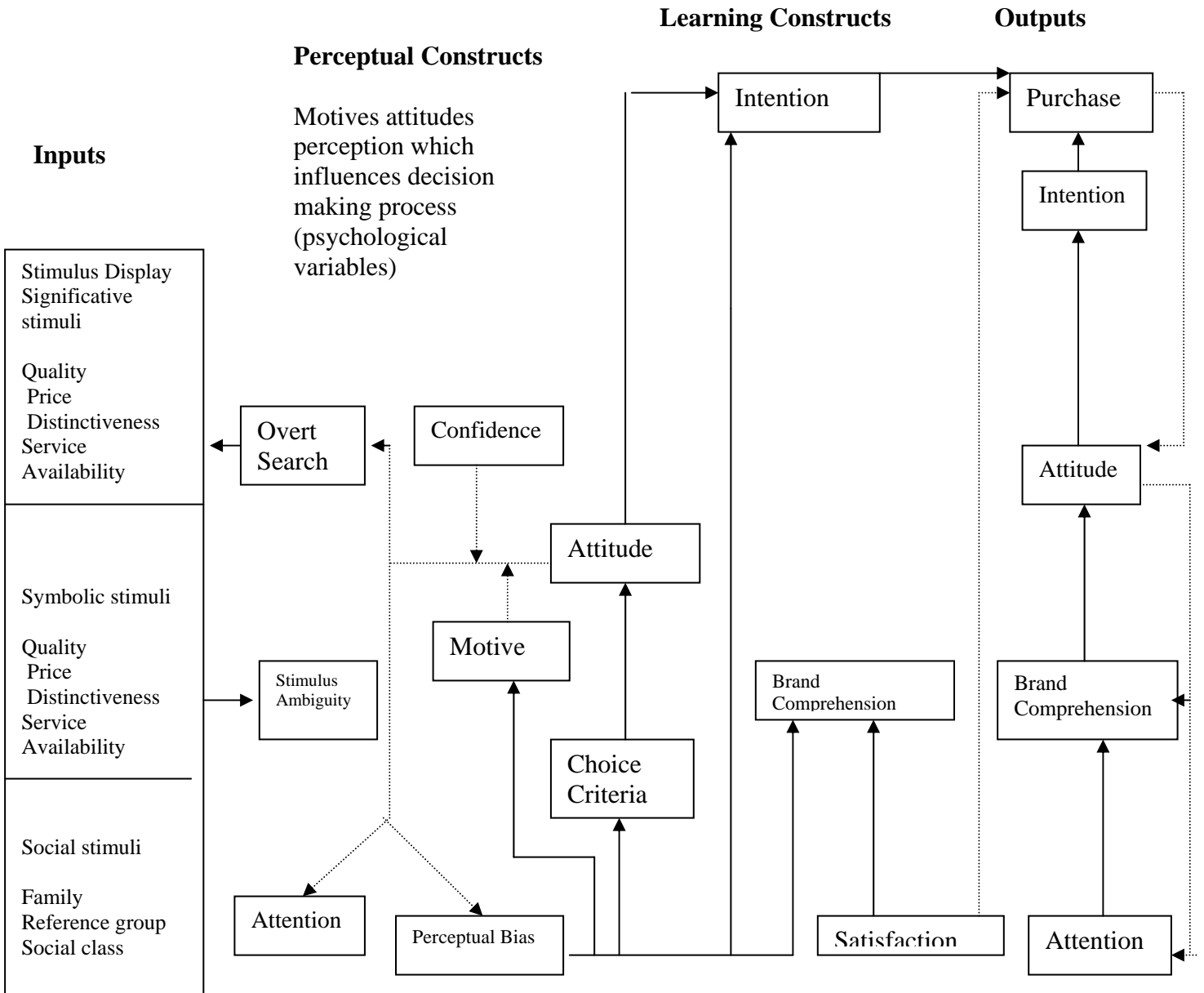
© Social stimuli: This is the stimulus provided by family, friends, social groups, and social class. This is important, as one lives in society and for the approval and appreciation of the society, buying habits have to be governed.

### **Perceptual and Learning Constructs**

These constructs are psychological variables, e.g. motives, attitudes, perception which influence the consumer decision process.

The consumer receives the stimuli and interprets it. Two factors that influence his interpretation are stimulus-ambiguity and perceptual bias.

Stimulus ambiguity occurs when the consumer can not interpret or fully understand the meaning of the stimuli he has received, and does not know how to respond. Perceptual bias occurs when an individual distorts the information according to his need and experiences.





These two factors influence the individual for the comprehension and rating of the brand. If the brand is rated high, he develops confidence in it and finally purchases it.

## **Output**

By output we mean the purchase decision. After purchase there is satisfaction or dissatisfaction. Satisfaction leads to positive attitude and increases brand comprehension. With dissatisfaction, a negative attitude is developed. The feedback shown by the dotted line and the solid lines shows the flow of information.

## **Exogenous or external variables**

These are not shown in the model, and do not directly influence the decision process. They influence the consumer indirectly and vary from one consumer to another. These are the individual's own personality traits, social class, importance of purchase and financial status.

All the four factors discussed above are dependent on each other and influence the decision-making process. The model though complicated, deals with the purchase behaviour in an exhaustive manner.

## **The Engel-Kollat-Blackwell Model:**

It consists of four components:

- (i) Information processing
- (ii) Central control unit
- (iii) Decision process
- (iv) Environmental influences

### **Information processing:**

It consists of exposure, attention, comprehension and retention of the marketing and non-marketing stimuli. For successful sales the consumer must be properly and repeatedly exposed to the message. His attention should be drawn, such that he understands what is to be conveyed and retains it in his mind.

#### **Central control Unit:**

The stimuli processes and interprets the information received by an individual. This is done by the help of four psychological factors.

(a) Stores information and past experience about the product, which serves as a standard for comparing other products and brands.

(b) Evaluative criteria, which could be different for different individuals.

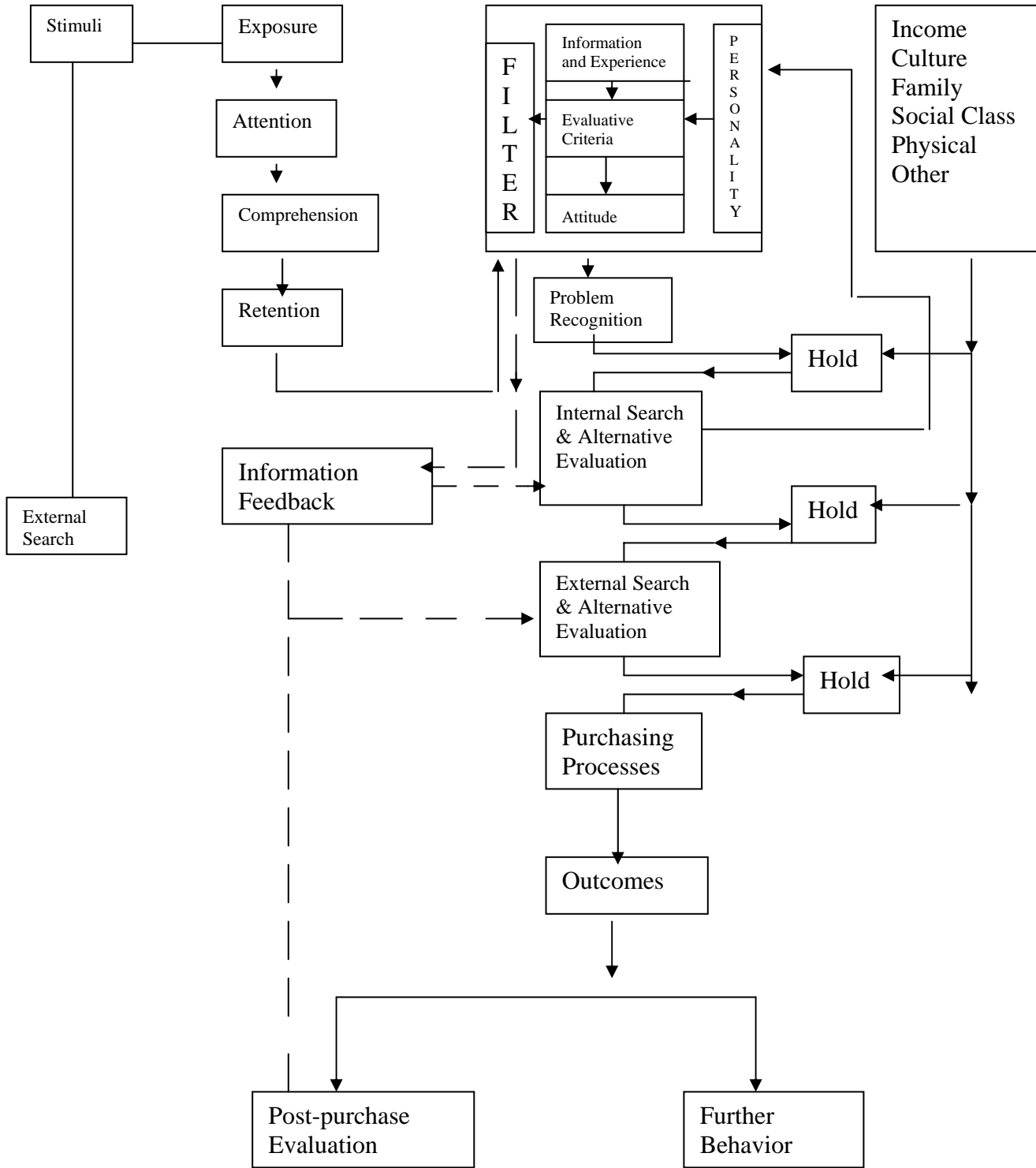
© Attitudes or the state of mind, which changes from time to time, and helps in choosing the product.

(d) The personality of the consumer, which guides him to make a choice suiting his personality.

**Information Processing**

**Central Control Unit**

**Environment Influences**



## **Decision Process**

It consists basically of problem recognition, internal and external search, evaluation and the purchase. The decision outcome or the satisfaction and dissatisfaction is also an important factor which influences further decisions.

The decision process may involve extensive problem solving, limited problem solving or routinised response behaviour. This depends on the type and value of the product to be purchased.

## **Environmental influences**

The environmental influences are also shown in a separate box and consist of income , social class, family influences, social class and physical influences and other considerations. All these factors may favour or disfavour the purchase decisions.

## **MODULE – III**

### **Determinants of CB:**

#### **Consumer Imagery & perceived Risk:**

##### **Perception:**

It is the individual process. It is the process by which we attach meanings to the happening in the environment. It may be reality or reality itself.

##### **Steps:**

- i. Selection: Selecting the stimuli.
- ii. Organizing: Similar things group together
- iii. Interpretation: Here individuality comes in the process.

##### **Sensation:**

It is the immediate & direct response of the sensory organs to stimuli. A stimulus is any unit of input to any of the senses. Examples of stimuli (i.e., sensory input) include products, packages, brand names, advertisements, and commercials. Sensory receptors are the human organs (the eyes, ears, nose, mouth and skin) that receive sensory inputs. Their sensory functions are called into play, either singly or in combination, in the, in the evaluation and use of most consumer products.

##### **The absolute thresh hold:**

The lowest level at which an individual can experience a sensation is called the absolute threshold. The point at which a person can detect a difference between “something” and “nothing” is that person’s absolute threshold for that stimulus. To illustrate the distance at which a driver can note a specific bill board on a highway is that individual’s absolute threshold.

As our exposure to the stimulus increases, we notice it less in the field of perception, the term adaptation refers specifically to “getting used to” certain sensation; that is, becoming accommodated to a certain level of stimulations.

Sensory adaptation is a problem that concerns many national advertisers, which is why they try to change their advertising campaigns regularly. They are concerned that consumers will get so used to their current print ads and TV commercials that they will no longer “see” them; that is, the ads will no longer provide sufficient sensory input to be noted.

Example: Some print ads include a lot of empty space in order to accentuate the brand name or product illustration, and some TV ads use silence, the absence of audio sound, to generate attention.

### **The differential Threshold:**

The minimal difference that can be detected between two similar stimuli is called the differential threshold or the JND.

Manufacturers and marketers endeavour to determine the relevant JND for their products for two different reasons:

- i. So that negative changes (e.g. reductions in product size or quality, or increases in product, price) are not readily discernible to the public (they remain below the JND) and
- ii. So that product improvements (such as improved or updated packaging, larger size or lower price) are very apparent to consumers without being wastefully extravagant (i.e., they are at or just above the JND)

### **Subliminal Perception:**

People are also stimulated below their level of conscious awareness; that is they can perceive stimuli without being consciously aware that they are doing so. Stimuli are beneath the threshold.

### **Consumer Imagery**

Consumers have a number of enduring perceptions, or images that are particularly relevant to the study of consumer Behavior. Products and brands have symbolic value for individuals, who evaluate them on the basis of their consistency with their personal pictures of themselves. We know about the consumer self-images and how consumers attempt to preserve or enhance their self-images by buying products and patronizing services that they believe are congruent with their self-images and by avoiding those that are not. The following section examines consumers’ perceived images of products, brands, services, prices, product quality, retail stores, and manufacturers.

- i. **Product Positioning:** The essence of successful marketing is the image that a product has in the mind of the consumer- that is, its positioning. Positioning is more important to the ultimate success for a product than are its actual characteristics, although products that are poorly made will not succeed in the long run on the basis of image alone.

Positioning conveys the concept, or meaning, of the product or service in terms of how it fulfils a consumer need. A good positioning strategy should have a two-pronged meaning: one that is congruent with the consumer's needs while, at the same time, featuring the brand against its competition. For example, the classic 7-Up slogan "The Un-Cola" was designed to appeal to consumers' desire for an alternative to the most popular soft drink (by using the prefix un), while also elevating the product by placing it in the same league with its giant competitor (by using the word cola).

- **Umbrella positioning:** This strategy entails creating an overall image of the company around which a lot of products can be featured individually. This strategy is appropriate for very large corporations with diversified product lines. For example, Mc Donald's positioning approaches over the years include "You deserve a break today at Mc Donald's", "Nobody can do it like McDonald's can", and "Good times, great taste."
- **Positioning Against the Competition:** You will find it between Pepsi and coco cola.
- **Positioning based on a specific Benefit:** Pizza Hut – anywhere service within 30 mints.
- **Filling several position**

ii. **Positioning of services:**

Compared with manufacturing firms, service marketers face several unique problems in positioning and promoting their offerings, because services are intangible images becomes a key factor in differentiating a service from its competition. Thus the marketing objective is to enable the consumer to link a specific image with a specific brand name. Many service marketers have developed strategies to provide customers with visual images and tangible reminders of their service offerings. These include delivery vehicles painted in distinct colour, restaurant matchbooks, packaged hotel soaps and shampoos and a variety of other speciality items.

**Perceived Price:**

How a consumer perceives a price – as high, as low, as fair- has strong influences on both purchase intentions and purchase satisfactions. Consider the perception of price fairness, for example, there is some evidence that customer do pay attention to the prices paid by other customers (such as senior citizen, frequent flyers, affinity club members), and that the differential pricing strategies used by some marketers are perceived as unfair by customers not eligible for the special prices. No one is happy knowing that he or she paid twice as much for an airline ticket or a theatre ticket as the person in the next seat.

**Perceived Quality:**

Consumers often judge the quality of a product or service on the basis of a variety of informational cues that they associate with the product. Some of these cues are intrinsic to the product or service, whereas others are extrinsic. Either singly or in composite, such cues provide the basis for perceptions of product & service quality

Perceived quality of products:

- ✓ Intrinsic cue: Size, colour, flavour, and physical characteristics.
  - ✓ Extrinsic cue: Packaging, pricing, advertising and even peer pressure.
- Perceived quality of services:
- ✓ Difficult to evaluate, e.g., in evaluating a doctor's services people note the quality of the office and examining room furnishing, the number of framed degrees on the wall.

### **Perceived Risk:**

It is defined as the uncertainty that consumers face when they cannot foresee the consequences of their purchase decisions, regarding what products or services to buy and where to buy them.

#### **(i) Types of Risk:**

- ✓ Functional Risk: the product will not perform well.
- ✓ Physical Risk: Risk the product may pose. E.g., radiation of cell phone.
- ✓ Social Risk: Poor product choice may cause social embarrassments (hair cut)
- ✓ Time Risk: Time spent on searching for product is waste if don't perform well.

#### **(ii) Perception of Risk:**

Consumer perception of risk varies, depending on the person, the product, the situation & culture. The amounts of risk perceived depend on the specific consumer. Some can take high risk and some cannot.

### **How consumer handle risk:**

- ✓ Consumer seeks information.
- ✓ Consumers are brand loyal.
- ✓ Consumers select Brand Image.
- ✓ Consumers rely on store image.
- ✓ Consumers buy the most expensive model.

### **Consumer Innovativeness and Personality Traits:**

Marketing practitioners try to learn all they can about consumer innovators- those who are likely to be the first to try new products, services, or practices – for the market response of such innovators is often a critical indication of the eventual success or failure of a new product or service.

Personality traits that have been useful in differentiation between consumer innovators and noninnovators include consumer innovativeness, dogmatism, social character, need for uniqueness, optimum stimulation level, sensation seeking and variety-novelty seeking.

- ✓ Consumer Innovativeness: Consumer researchers have endeavoured to develop measurement instruments to gauge the level of consumer innovativeness, because such personality trait measures provide important insights into the nature and boundaries of a consumer innovativeness to innovate.

Recent consumer research indicates a positive relationship between innovative use of the Internet and buying online.

- ✓ Dogmatism: Consumer responses to distinctively unfamiliar products or product features are of keen interest to many marketers, especially marketers of technologically rich products. Dogmatism is a personality that measures the degree or rigidity (versus openness) that individuals display toward the unfamiliar and toward information that is contrary to his or her own established beliefs. A person who is high dogmatic approaches the unfamiliar defensively and with considerable discomfort and uncertainty. At the other end of the spectrum, a person who is low dogmatic will readily consider unfamiliar or opposing beliefs.

Consumers who are low in dogmatism (open-minded) are more likely to prefer innovative products to established or traditional alternatives. In contrast, highly dogmatic (closed-minded) consumers are more likely to choose established, rather than innovative, product alternatives.

- ✓ Social Character: The personality trait known as social character has its origins in sociological research, which focuses on the identification and classification of individuals into distinct sociocultural types. As used in consumer psychology, social character is a personality trait that ranges on a continuum from inner-directedness to other-directedness. Inner-directed consumers tend to rely on their own inner values or standards in evaluating new products and are likely to be consumer innovators. Conversely, other-directed consumers tend to look to others for direction on what is right or wrong; thus, they are less likely to be consumer innovators.
- ✓ Need for Uniqueness: The research revealed that when consumers are asked to explain their choices, but are not concerned about being criticized by others, they are more receptive to making unique choices.

Sample items from a Consumers' Need for Uniqueness (NFU) Scale:

I collect unusual products as a way of telling people I'm different.

When dressing, I have sometimes dared to be different in ways that others are likely to disapprove.

When products or brands I like become extremely popular, I lose interest in them.

I avoid products or brands that have already been accepted and purchased by the average consumer.

- ✓ Optimum Stimulation Level: Some people seem to prefer a simple, uncluttered, and calm existence, whereas others prefer an environment crammed with novel, complex, and unusual experiences. Consumer research has examined how such variations in individual needs for stimulation may be related to consumer behaviour. Research has found that high optimum stimulation level (OSLs) are linked with greater willingness to take risks, to try new products to be innovative, to seek purchase-related information, and to accept new retail facilities than low OSLs.

OSL scores also seem to reflect a person's desired level of lifestyle stimulation. For instance, consumers whose actual lifestyles are equivalent to their OSL scores appear to be quite satisfied, whereas those whose lifestyles are under stimulated are likely to be bored. Those whose lifestyles are over stimulated are likely to seek rest or relief. This suggests that the relationship between consumers' lifestyles and their OSLs is likely to influence their choices of products or services.

- **Sensation Seeking:** Closely related to the OSL concept is sensation seeking(SS), which has been define as “a trait characterized by the need for varied , novel, and complex sensations and experience, and the willingness to take physical and social risks for the sake of such experience.” Research evidence shows that teenage males with higher SS scores are more likely than other teenagers to prefer listening to heavy metal music and engage in reckless or even dangerous behavior.
- **Variety-Noveltly Seeking:** Still another personality-driven trait quite similar to and related to OSL is variety or novelty seeking. There appear to be many different types of consumer variety seeking: exploratory purchase behavior (e.g., switching brands to experience new and possibly better alternatives), vicarious exploration (e.g., securing information about a new or different alternative and then contemplating or even daydreaming about the option), and use innovativeness (using an already adopted product in a new or novel way). The use of innovativeness trait is particularly relevant to technological products (such as home electronics products), in which some models offer an abundance of features and functions, whereas others contain just a few essential features or functions.

### **Brand Personification:**

- (i) **Brand Personality:** Consumers attribute various descriptive personality-like traits or characteristics to different brands in a wide variety of product categories. For instance, with some help from frequent advertising, consumers tend to see Volvo as representing safety, and BMW as performance driven, Nike as the athlete in all of us . As these examples reveal, a brand's personality can either be functional (provides safety) or symbolic (the athlete in all of us). There is common sense and research evidence to conclude that any brand personality, as long as it is strong and favourable, will strengthen a brand.
- (ii) **Brand Personification:** Some marketers find it useful to create a brand personification, which tries to recast consumers' perception of the attributes of a product or service into a human-like character. E.g., Mr. Coffee, a popular brand of automatic-drip coffee makers (USA), unexpectedly found in its focus group research that consumers were referring to Mr. Coffee as if the product were a person. After careful consideration, the marketers decided to explore the possibility of creating a brand personification. Initial consumer research indicated that Mr. Coffee was seen as being “dependable”, “friendly”, “efficient”, “intelligent”, and “smart”.

### **Elements of Consumer Learning:**



Definition: The process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior. Learning to take place change in behavior is must.

- **Motivation:** The concept of motivation is important to learning theory. Remember, motivation is based on needs and goals. Motivation acts as a spur to learning. For example, men and women who want to become good tennis players are motivated to learn all they can about tennis and practice whenever they can. They may seek information concerning the prices, quality and characteristics of tennis racquets if they “learn” that a good racquet is instrumental to playing a good game.
- **Cues:** If motives serve to stimulate learning, cues are the stimuli that give direction to these motives. An advertisement for a tennis camp may serve as a cue for tennis buffs that may suddenly recognize that attending tennis camp is a concentrated way to improve their game while taking a vacation. The ad is the cue, or stimulus, that suggests a specific way to satisfy a salient motive.
- **Response:** How individuals react to a drive or cue- how they behave – constitutes their response. Learning can occur even when responses are not overt. The automobile manufacturer that provides consistent cues to a consumer may not always succeed in stimulating a purchase.
- **Reinforcement:** If we go to Goa and get lot of enjoyment as expected then it is reinforcement.

## Relationship between attitude and consumer behaviour

**The nature of consumer attitude:** Consumer researcher assesses attitudes by asking questions or making inferences from behavior. For example: if a researcher determines from questioning a consumer that she consistently buys “fair& lovely” and even recommends them to friends, the researcher is likely to infer that the consumer possesses a positive attitude toward fair & lovely. This example illustrates that attitudes are not directly observable but must be inferred from what people say or what they do.

“An attitude is a leaned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object”.

**The attitude “object”:** In conducting attitude research we tend to be object specific. For example, if we were interested in learning consumer’s attitudes towards the three major brands of DVD player, our object might include Sony, Toshiba & Panasonic. If we were examining consumer attitudes towards major brands of cellular telephone, our object might include Nokia, Eriksson, Samsung, LG, Panasonic and Motorola.

**Attitudes are a learned predisposition:** There is general agreement that attitudes are learned. This means that attitude relevant to purchase behavior are formed as a result of direct experience with the product, word-of-mouth information acquired from others or exposure to mass media advertising.

**Attitudes have consistency:** If one prefer Japanese over Korean electronics then when he wants to replace his old VCR, he will go for Japanese brand.

**Attitudes occur within a situation:** By situation, we mean events or circumstances that , at a particular point of time, influence the relationship between an attitude and behavior. Specific situation can cause consumers to behave in ways seemingly inconsistent with their attitude.

### **Attitude Model:**

1. Tri component Attitude Model
  - Cognitive component
  - The affective Component
  - The Conative Component
2. Multi attribute attitude model
3. Theory of trying-to-consume model
4. Attitude-toward-the-ad model

### **Consumer attitude formation and change:**

#### **Attitude Formation:**

- (i) **How attitudes are learned:** When we speak of the formation of an attitude, we refer to the shift from having no attitude toward a given object to have some attitude towards it.

Consumers often purchase new products that are associated with a favourably viewed brand name. This favourable attitude toward the brand name is frequently the result of repeated satisfaction with other products produced by the same company.

- (ii) **Sources of influence on attitude information:** The formation of consumer attitudes is strongly influenced by personal experience, the influence of family and friends, direct marketing, and mass media.

- (iii) **Personality factors:** Personality also plays a critical role in attitude formation. Eg, Individuals with a high need for cognition (i.e., those who crave for information and enjoy thinking) are likely to form positive attitude in response to ads or direct mail that are reaching product related information. On the other hand, consumers who are relatively low in need for cognition are more likely to form positive attitudes in response to ads that feature an attractive model or well-known celebrity.

#### **Attitude Change:**

Altering consumer attitude is a key strategy consideration for most marketers. For marketers who are fortunate enough to be market leaders and to enjoy a significant amount of customer goodwill and loyalty, the overriding goal is to fortify the existing positive attitude of customers so that they will not succumb to competitors special offers and other inducements designed to win them over.

(i) **Changing the basic motivational functional:** An effective strategy for changing consumer attitudes towards a product or brand is to make particular needs prominent.

- **The utilitarian function:** We hold certain brand attitudes partly because of a brand's utility. When a product has been useful or helped us in the past, our attitude toward it tends to be favourable. One way of changing attitudes in favour of a product is by showing people that it can serve a utilitarian purpose that they may not have considered. E.g., 24 hrs protection, pepsodent toothpaste.
- **The Ego-Defensive function:** Most people want to protect their self-images from inner feelings of doubt – they want to replace their uncertainty with a sense of security and personal confidence. Ads for cosmetic and personal care product. Example: Fair & Lovely.
- **The value-Expression Function:** Attitudes are an expression or reflection of the consumer's general values, life styles, and outlook. If a segment of consumers has a positive attitude toward being "in fashion", then their attitudes towards high-fashion clothing are likely to reflect this viewpoint. Thus, by knowing target customers' attitudes, marketers can better anticipate their values, life styles, or outlook characteristics in their advtg and direct marketing efforts.
- **The knowledge function:** Individuals generally have a strong need to know and understand the people and things they encounter. The consumer's "need to know", a cognitive need, is important to marketers concerned with product positioning. For instance, a message fro an advanced design toothbrush might point out how it is superior to other toothbrushes in controlling gum diseases by removing more plaque and that this is so important to overall good health.

(ii) **Associating the product with a special group, even, or cause:**

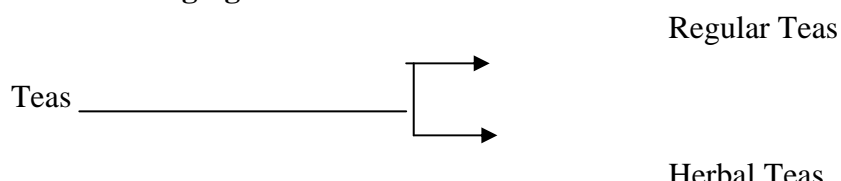
Crest sponsors a program that promotes good oral care to children through the Boys & Girls club of America.

(iii) **Resolving two Conflicting Attitudes:**

Attitude change strategies can sometimes resolve actual or potential conflict between two attitudes. Specifically, if consumers can be made to see that their negative attitude toward a product, a specific brand, or its attributes is really not in conflict with another attitude, they maybe induced to change their evaluation of the brand. (i.e., from negative to positive).

(iv) **Altering components of the multi attribute model:**

- **Changing the relative evaluation of attributes:**



When a product category is naturally divided according to distinct product features or benefits that appeal to a particular segments of consumers ,marketers usually have an opportunity to persuade consumers to cross over that is , to persuade consumers who prefer one version of the product to shift their favourable attitude toward another version of the product and possibly vice versa.

- **Changing brand belief:**

Advertisers constantly are reminding us that their product has more or is better or best in terms of some important product attribute.

- Adding an attribute
- Changing the overall brand rating: The largest selling brand or the one all others try to imitate. e.g., IIPM “what we teach today others follow tomorrow”

(v) **Changing beliefs about competitors’ brands:** Comparative advertising can boomerang by giving visibility to competing brands & claims.

## MODULE – IV

### Consumption and Post Purchase Behavior

#### **Post purchase Evaluation:**

After purchase, the consumer also engages in an evaluation of the purchase decision. Because the consumer is uncertain of the wisdom of his decision, he rethinks this decision in the post purchase stage. There are several functions, which this stage serves. First, it serves to broaden the consumer’s set of experiences stored in memory. Second, it provides a check on how well he is doing as a consumer in selecting products, stores, and so on. Third, the feedback that the consumer receives from this stage helps to make adjustments in future purchasing strategies.

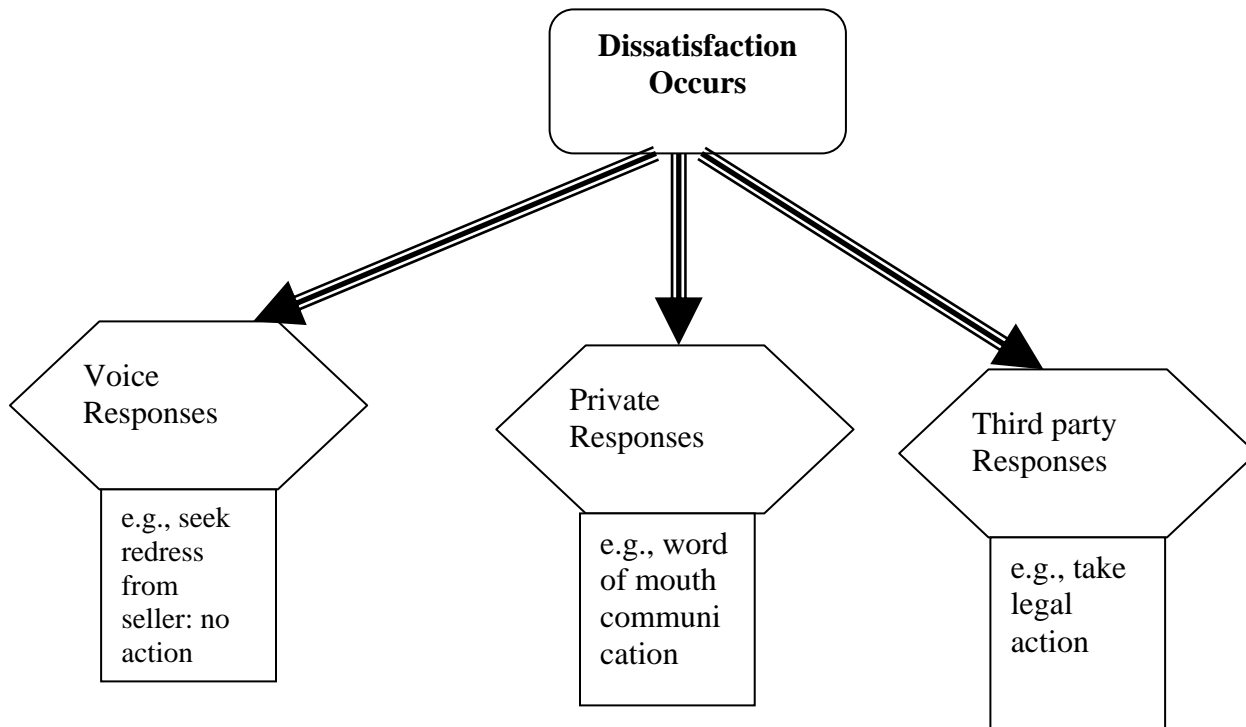
Consumer satisfaction/Dissatisfaction:

Once consumers purchase and use a product, they may then become either satisfied or dissatisfied. Research has uncovered several determinants, which appear to influence satisfaction, including demographic variables, personality variables, and expectations and to be more satisfied. Higher education tends to be associated with lower satisfaction. Men tend to be more satisfied than women. The more confidence one has in purchase decision-making and the more competence in a given product area, the greater one’s satisfaction tends to be. There is also greater satisfaction when relevant others are perceived to be more satisfied. Persons who are more satisfied with their lives as a whole, and that is by persons with more favourable attitudes toward the consumer domain., the market place, business firms and consumerism also indicate higher levels of product satisfaction.

The interaction between expectations and actual product performance produces either satisfaction or dissatisfaction. However, there does not appear to be merely a direct relationship between the level of expectations and the level of satisfaction. Instead, a modifying variable known as “disconfirmation of expectations” is thought to be a significant mediator of this situation. When a consumer does not get what is expected, the situation is one of disconfirmation. Such

disconfirmation can be of two varieties: a positive disconfirmation occurs when what is received is better than expected, and a negative disconfirmation occurs when things turn out worse than anticipated. Thus, any situation in which the consumer's judgement is proven wrong is a disconfirmation. Confirmation occurs if the expectations of performance are met.

### Consumer Complaint Behavior



### Postpurchase Dissonance

Cognitive dissonance occurs as a result of a discrepancy between a consumer's decision and the consumer's prior evaluation. From a review of research findings on cognitive dissonance, it appears that dissonance is likely to occur under the following conditions.

- ✓ Once a minimum threshold of dissonance tolerance is passed. That is, consumers may tolerate a certain level of inconsistency in their lives until this point is reached.
- ✓ The action is irrevocable. For instance, when the consumer purchases a new car, there is little likelihood that he will be able to reverse his decision and get his money back.
- ✓ Unselected alternatives have desirable features.
- ✓ There are several desirable alternatives. Today's car buyer, for example, has an abundance of choices among similar attractive models. In fact, research indicates that those consumers who experience greater difficulty in making purchase decisions, or who consider a wider range of store and brand options, are more likely to experience greater magnitudes of Postpurchase dissonance.
- ✓ Available alternatives are quite dissimilar in their qualities. For instance, although there are many automobile models, each one may have some unique characteristics.

- ✓ The buyer is committed to his decision because it has psychological significance. A large and important living room furniture purchase is likely to have great psychological significance to the buyer because of its dramatic reflection of one's decorating tastes, philosophy, and lifestyle. Ego involvement will be quite high.
- ✓ There is no pressure applied to the consumer to make the decision. If the consumer is subjected to outside pressure, he will do what he is forced to do without letting his own viewpoint or preference really be challenged.

It is clear that dissonance is likely to be strongest for the purchase of durables, although it can exist for almost every purchase.

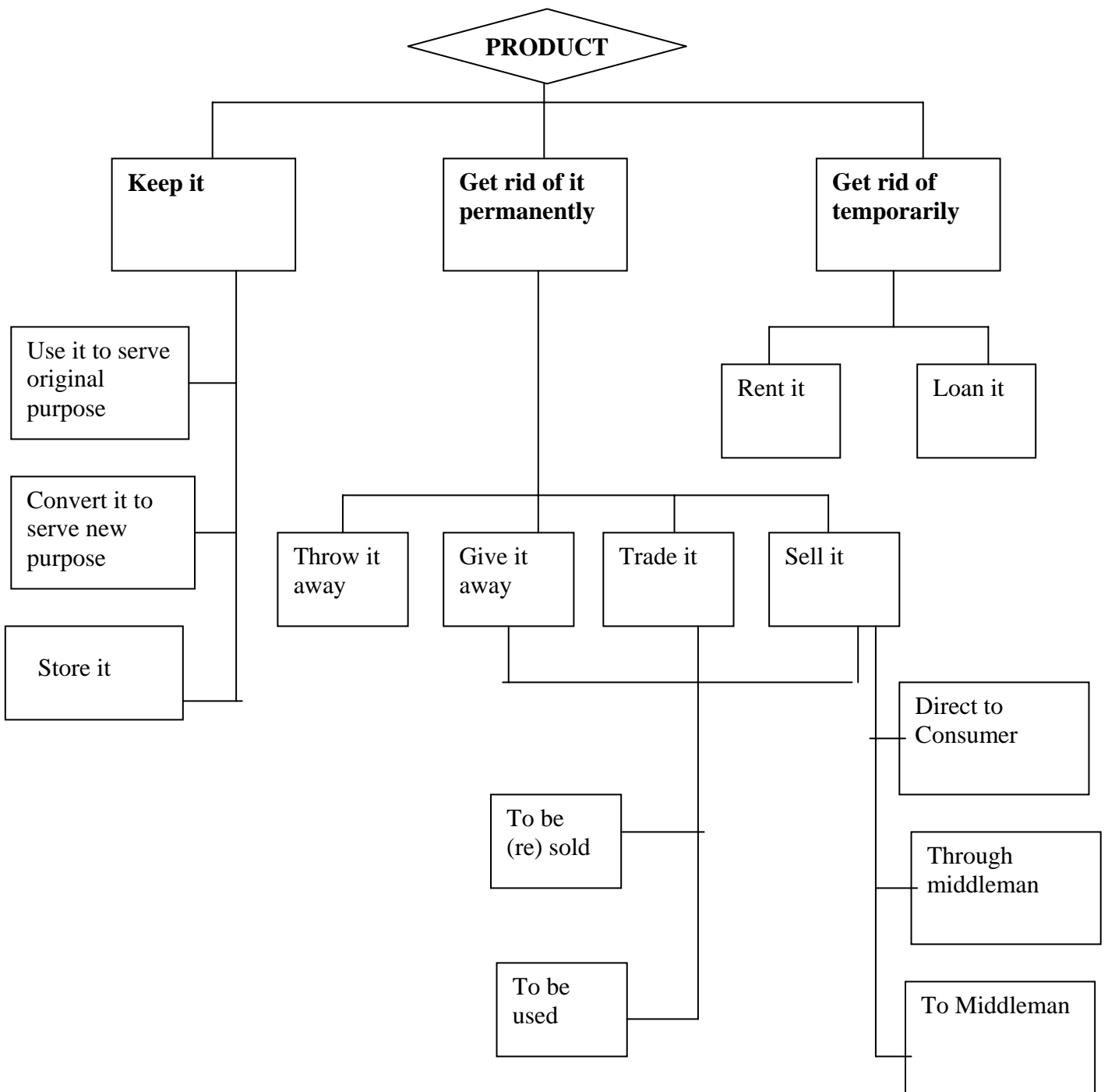
### **Dissonance Reduction:**

(i) **Changing product evaluation:** One of the ways consumers seek to reduce dissonance is to reevaluate product alternatives. This is accomplished by the consumers' enhancing the attributes of the products selected while decreasing the importance of the unselected products' attributes. That is, consumers seek to polarize alternatives in order to reduce their dissonance.

(ii) **Seeking new information:** A second way consumers may reduce dissonance is by seeking additional information in order to confirm the wisdom of their product choice. According to dissonance theory, dissonant individuals would be expected to actively avoid information that would tend to increase their dissonance and seek information supporting their decision. It seems reasonable to assume that consumers would seek out advertisements for products they have purchased and tend to avoid competing ads.

(iii) **Changing attitude:** As a result of dissonance, the consumer may change his attitudes to make them consonant with his behavior.

**Product Disposition:**



## **Communication and Persuasion:**

Components of communication:

Communication can be defined in many ways, but most marketers agree that communication is the transmission of a message from a sender to a receiver via a medium of transmission. In addition to these four basic components- sender, receiver, medium, and message- the fifth essential component of communication is feedback.

### **The sender (The Source):**

The sender, as the initiator of the communication, can be a formal or an informal source. A formal communication is likely to represent either a for-profit (commercial) or a not-for-profit organization; an informal source can be a parent or friend who gives product information or advice. Consumers often rely on informal communication sources in making purchase decisions because, unlike formal sources, the sender is perceived as having nothing to gain from the receiver's subsequent actions. For that reason, word-of-mouth communications tend to be highly persuasive.

### **The receiver (The Target Audience):**

The receiver of formal marketing communications is likely to be a targeted prospect or a customer (e.g., a member of the marketer's target audience). Intermediary and unintended audiences are also likely to receive marketers' communications. Examples of intermediary audiences are wholesalers, distributors, and retailers, who receive trade advertising from marketers designed to persuade them to order and stock merchandise, and relevant professionals (such as architects or physicians), who are sent professional advertising in the hopes that they will specify or prescribe the marketer's products. Unintended audiences include everyone who is exposed to the message who is not specifically targeted by the sender.

### **The Medium:**

The medium or communications channel can be impersonal (e.g., mass medium) or interpersonal (a formal conversation between a salesperson and a customer or an informal conversation between two or more people that takes place face-to-face, by telephone, by mail, or online).

Mass media are generally classified as print (newspapers, magazines, billboards), broadcast (radio, television), or electronic (internet)

### **The message:**

The message can be verbal (spoken or written), nonverbal (a photograph, an illustration, or a symbol), or a combination of the two

### **Feedback:**

It is an essential component of both interpersonal and impersonal communications. Prompt feedback permits the sender to reinforce, to change, or to modify the message to ensure that it is understood in the intended way.

## **The Communication Process:**



### **The Message Initiator (Source):**

The sponsor (initiator) of the message first must decide to whom the message should be sent and what meaning it should convey. Then the sponsor must encode the message in such a way that its meaning is interpreted by the targeted audience in precisely the intended way.

### **Credibility:**

The credibility of the source affects the decoding of the message. The sponsor of the communication – and his or her perceived honesty and objectivity- has an enormous influence on how the communication is accepted by the receiver(s). When the source is well respected and highly thought of by the intended audience, the message is much more likely to be believed. Conversely, a message from a source considered unreliable or untrustworthy is likely to be received with scepticism and may be rejected.

**Credibility of Informal Sources:** One of the major reasons that informal sources such as friends, neighbours, and relatives have a strong influence on a receiver's behavior is simply that they are perceived as having nothing to gain from a that they recommend. That is why word-of-mouth communication is so effective. Interestingly enough, informal communications sources, called opinion leaders, often do profit psychologically.

### **Credibility of Formal Sources:**

Not-for profit sources generally have more credibility than for-profit (commercial) sources. Formal sources that are perceived to be 'neutral'- such as Consumer Reports or newspaper articles- have greater credibility than commercial sources because of the perception that they are more objective in their product assessments.

### **Credibility of spokespersons and endorsers:**

Consumers sometimes regard the spokesperson that gives the product message as the source (or initiator) of the message. Thus the 'pitchman' (whether male or female) who appears in person or in a commercial or advertisement has a major influence on message credibility. This accounts for the increasing use of celebrities to promote products.

### **Message Credibility:**

The reputation of the retailer who sells the product has a major influence on message credibility. Products sold by well-known quality stores seem to carry the added endorsement ( and implicit guarantee) of the store itself. The aura of credibility generated by reputable retail advertising reinforces the manufacturer's message as well.

The reputation of the medium that carries the advertisement also enhances credibility of the advertiser. For example, the image of a prestige magazine like Fortune confers added status on the products advertised within.

However, there is no single answer as to which medium has the most credibility, especially at a time when new forms of media (such as the web) and traditional media in new forms (such as online editions of well-established newspapers) are emerging and evolving.

### **Effects of Time on Source Credibility:**

The sleeper effect- the persuasive effects of high-credibility sources do not endure over time. Although a high-credibility source is initially more influential than a low-credibility source, research suggests that both positive and negative credibility effects tend to disappear after six weeks or so. This phenomenon has been termed the sleeper effect.

### **The target audience (Receivers):**

Receiver decodes the messages they receive on the basis of their personal experiences and personal characteristics. If Mrs. Brown receives shoddy merchandise from an online retailer, she may be reluctant to buy online again. At the same time, her neighbour, Mrs. Greene, may be so pleased with the merchandise she receives from a reliable online retailer in terms of quality, service, and fit that she vows to do even more of her shopping online in the future.

### **Personal Characteristics and Comprehension:**

A person's demographics (such as age, gender, marital status), socio cultural memberships (social class, race, religion) and lifestyle are key determinants in how a message is interpreted. A bachelor may interpret a friendly comment from his unmarried neighbor as a "come-on": a student may interpret a professor's comments as an indication of grading rigor.

### **Involvement:**

A person's level of involvement plays a key role in how much attention is paid to the message and how carefully it is decoded. People who have little interest (i.e., a low level of involvement) in golf, for example, may not pay much attention to an ad for a specially designed putter; people who are very interested (highly involved) in golf may read every word of a highly technical advertisement describing the new golf club. Thus, a target audience's level of involvement is an important consideration in the design and content of persuasive communications.

### **Mood**

Mood, or affect, plays a significant role in how a message is decoded. A consumer's mood (e.g., cheerfulness or unhappiness) affects the way in which an advertisement is perceived, recalled and acted upon. Marketers of many image-centred products such as perfume, fashion, and liquor have found that appeals focused on emotions and feelings associated with these products are more effective than rational appeals depicting the product's benefit.

### **Feedback- The Receiver's Response:**

Since marketing communications are usually designed to persuade a target audience to act in a desired way, the ultimate test of marketing communications is the receiver's response. For this reason, it is essential for the sender to obtain feedback as promptly and as accurately as possible. Only through feedback can the sender determine whether and how well the message has been received.

An important advantage of interpersonal communications is the ability to obtain immediate feedback through verbal as well as nonverbal cues. Because of the high costs of advertising space and time in mass media, many marketers consider impersonal communications feedback to be even more essential.

### **Designing Persuasive Communications:**

In order to create persuasive communications, the sponsor (who may be an individual, a for-profit company, or a not-for-profit organization) must first establish the objectives of the communication, and then select the appropriate audiences for the message and the appropriate media through which to reach them, and to each audience.

### **Communication Strategy:**

In developing its communications strategy, the sponsor must establish the primary communications objectives. These might consist of creating awareness of a service, promoting sales of a product, encouraging (or discouraging) certain practices, attracting retail patronage, reducing Postpurchase dissonance, creating goodwill or a favourable image, or any combination of these and other communications objectives.

### **Target Audience:**

An essential component of a communications strategy is selecting the appropriate audience. It is important to remember that an audience is made up of individuals – in many cases, great numbers of individuals. Because each individual has or her own traits, characteristics, interests, needs, experience, and knowledge, it is essential for the sender to segment the audience into groups that are homogeneous in terms of some relevant characteristic. Segmentation enables the sender to create specific messages for each target group and to run them in specific media that are seen, heard, or read by the target group. It is unlikely that a marketer could develop a single message that would appeal simultaneously to its total audience. Efforts to use “universal” appeals phrased in simple language that everyone could understand invariably result in unsuccessful advertisements to which few people relate.

### **Media Strategy:**

It is an essential component of a communications plan. It calls for the placement of ads in the specific media read, viewed, or heard by each targeted audience. To accomplish this, advertisers, develop, through research, a consumer profile of their target customers that includes the specific media they read or watch. Media organizations regularly research their own audiences in order to develop descriptive audience profiles. A cost-effective media choice is one that closely matches the advertiser’s consumer profile to a medium’s audience profile.

### **Message Strategy:**

The message is the thought, idea, attitude, image, or other information that the sender wishes to convey to the intended audience. In trying to encode the message in a form that will enable the audience to understand its precise meaning, the sender must know exactly what he or she is trying to say and why. The sender must also know the target audience’s personal characteristics in terms of education, interests, needs and experience. The sender must design a message strategy through words and/or pictures that will be perceived and accurately interpreted by the targeted audience.

Message structure and presentation: Resonance advertising resonance is defined as wordplay, often used to create a double meaning, used in combination with a relevant picture. Should a marketer stress the benefits to be gained by using a specific product (positive message framing) or the benefits to be lost by not using the product (negative message framing)? Research suggests that the appropriate message framing decision depends on the consumer's attitudes and characteristics as well as the product itself.

One-sided versus two-sided messages- should marketer tell the audiences only the good points about their products or should they also tell them the bad.

Comparative advertising – it is a widely used marketing strategy in which a marketer claims product superiority for its brand over one or more explicitly named or implicitly identified competitors either on an overall basis or on selected product attributes.

Repetition- it is important factor learning. Thus, it is not surprising that repetition, or frequency of the ad, affects persuasion, ad recall, brand name, recall, and brand preferences. It also increases the likelihood that the brand will be included in the consumer's consideration set.

Advertising appeals- Fear, Humour, sex, abrasive advertising.

### **Crisis in Communication:**

**Selective exposure to Messages:** Consumers selectively perceive advertising messages and tend to ignore advertisements that have no special interest or relevance to them. Furthermore, technology provides consumers with increasingly sophisticated means to control their exposure to media. TV remote controls offer viewers the ability to “wander” among program offerings with ease, to zap commercials by muting the audio and to channel surf. The VCR enables viewers to fast-forward (zip) through commercials of pre-recorded programs. Caller ID, phone answering machines, and other devices allow consumers to screen out telemarketing and other unsolicited contacts from marketers.

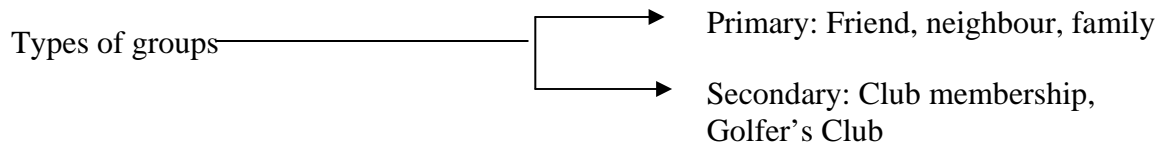
**Psychological Noise:** Just as telephone static can impair reception of a message, so too can psychological noise (e.g., competing advertising messages or distracting thoughts). A viewer faced with the clutter of nine successive commercials messages during a program break may actually receive and retain almost nothing of what he has seen.

## **MODULE – VI**

### **Consumers in their social and cultural setting:**

## Group:

Two or more people who interact to accomplish either individual or mutual goals.



## Reference Group:

It is a group that serves as frames of reference for individuals in their purchase or consumption decision.

- ✓ **Normative reference group:** Reference group that influence general or broadly defined values or behaviour are called normative reference group. An example of a child's normative reference group is the immediate family, which is likely to play an important role in moulding the child's general consumer values and behaviour such as which foods to select for good nutrition, appropriate ways to dress for specific occasions, how & where to shop, or what constitutes good value.
- ✓ **Comparative reference group:** That serves as benchmark for specific or narrowly defined attitudes or behavior are called comparative reference groups. It may be a neighbouring family whose life styles appear to be admirable and worthy of imitation (the way they maintain their home, their choice of home furnishing and cars, their taste in clothing, or the number and types of vacation they take).
- ✓ **Indirect reference group:** It consists of those individuals or groups with whom a person doesn't have direct face-to-face contact, such as movie stars, sport heroes, political leaders, TV personalities or even well-dressed and interesting looking people on the street. It is the power of indirect reference group that helps sell the Nike, titan watch etc. (celebrity appeal).

**Selected consumer relevant reference groups:** Friendship groups, shopping groups, work groups, virtual groups.

## Family decisions making and consumption related roles:

**Family:** It is defined as two or more persons related by blood, marriages or adoption who reside together

Although families sometimes are referred to as households, not all households are families. For example, a household might include individuals who are not related by blood, marriage or adoption, such as unmarried couples, family friends, roommates, or boarders. However, within the context of CB households and family usually are treated as synonymous, and we will continue this convention.

## Functions of the family:

- ✓ **Economic well-being:** Economic security, providing financial means to its dependents is unquestionably a basic family function.
- ✓ **Emotional support:** Love, affection, support, intimacy, care, and courage.
- ✓ **Suitable family life styles:** Another important family function in terms of consumer behaviour is the establishment of a suitable life style for the family. Upbringing, experience, and the personal and jointly held goals of the spouses determine the importance placed on education or career, on reading, on television viewing, on the learning of computer skills, on the frequency and quality of dining out, and on the selection of other entertainment and recreational activities.
- ✓ **Socialization of family members:** It encompasses from young children to adults, is a central function. In the case of young children, this process includes imparting to children the basic values and modes of behavior consistent with the culture. These generally include moral and religious principles, interpersonal skills, dress and grooming standards, appropriate manner and speech and the selection of suitable educational and occupational or career goals.

### **The family life cycle:**

#### **(a) Traditional FLC:**

Stage- I: Bachelorhood- young single adult living apart from parents.

Stage- II: Honey mooners- Young married couple.

Stage- III: Parenthood – Married couple with at least one child living at home.

Stage- IV: Post parenthood- an older married couple with no children living at home.

Stage- V: Dissolution- One surviving spouse.

#### **(b) Non-traditional FLC stages:**

**Childless Couple:** It is increasingly acceptable for married couples to elect not to have children. Contributing forces are more career oriented married woman and delayed marriages.

**Couples who marry later in life (in their late 30s or later):** More career oriented men & women and greater occurrence of couples living together. Likely to have fewer or even no children.

**Couples who have first child later in life (in their late 30s or later):** Fewer children. Emphasis on life styles.

**Single Parent- I:** High divorce rates contribute to a portion of single parent households.

**Single Parent – II:** Young man & woman who have one or more children out of wedlock.

**Single Parent- III:** A single parents who adopts one or more children.

**Extended family:** Young single adult children who return home to avoid the expenses of living alone while establishing their careers. Divorced daughter & son return to home. Newly-weds living with in-laws.

#### **(c) Non- family households:**

**Unmarried couples:** Increased acceptance of heterosexual and homosexual couples.

**Divorced person (No Children):** High divorce rate contributes to dissolution of households before children are born.

**Single person (most are young):** Men and women who never marry.

**Widowed person (Most are elderly):** Longer life expectancy, especially for women, means more over 75, single person households.

### **Social class and consumer behavior:**

The division of members of a society into a hierarchy of distinct status classes so that members of each class have relatively the same status and members of all other classes have either more or less status.

Researchers often measure social class in terms of social status. They define each social class by the amount of status the members of that class have in comparison with members of other social class. In social class research status is frequently thought of as the relative ranking of members of each social class in terms of specific status factors.

**Social class:** Upper, middle, lower, lower-lower class.

**The affluent consumer:** It constitutes an especially attractive target segment because its members have income that provides them with a disproportionately larger share of all discretionary income the “extras” that allow the purchase of luxury cruises, foreign sports cars, fine Jewellery, laptops etc.

The media exposure of the affluent consumer differs from others. Segmentation can be done on the basis of their life-styles.

For non-affluent consumers media differs, products differ, as they are huge in number.

### **Influence of culture on consumer behavior:**

**Definition:** That complex whole that includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.

Culture is one of the major factors affecting consumer behaviour and some of its dimensions with regard to attitudes and values and customs are important components of culture. Customs are overt modes of behaviour, which are acceptable in a specific cultural context. The different food habits of Indians, for example, are customs, which are part of a region-specific culture. From the marketing viewpoint, products and brand communication have to take into consideration the customs existing in a specific market situation. A marketer offering an alternative for the morning cup of coffee or tea will find it extremely difficult to change the custom. But with changes in environment, customs also change and marketers can be successful if they time their products/brands and position them in an appropriate manner. A few decades ago, using nail enamel and lipstick was a taboo among many consumers, especially in villages. While nobody looks twice at someone who uses the products in urban areas because health and fitness figure pretty high on people's agenda. In both these

examples, the change is 'cultural' – which marketers have recognised and used to sell their products or services.

### **Relationship marketing in cross cultural context:**

More and more companies have adopted a global outlook in which the world becomes their market. For example, numerous major corporations, such as Coca-Cola, IBM, Pfizer and Gillette, receive over half of their earnings from foreign operations, while many others also have significant international markets. Such situations require the marketer's appreciation both of cultural differences among international markets and of their influence on consumer behavior. In this section some of the marketing implications of these cultural subtleties will be discussed. Unfortunately, there have been rather few published cross-cultural studies of consumer behavior that the marketer may use in making strategy decisions.

A recent study of almost 12,000 managers around the world found that although changes were occurring in every country, culture, and corporation, there is still no common culture of management. Moreover, managers' views tend to correspond more to their country's cultural heritage and less to its geographic location.

The diversity among cultures is reflected not only in management but also in marketing and consumer behavior, and it can take some getting used to. Thus, when Americans venture abroad, they experience what anthropologists call culture shock, that is, a series of psychological jolts when they encounter new customs, value systems, attitudes, and work habits; the shock reduces their effectiveness in foreign commercial environments. Therefore, it is crucial to effective operations that the manager be well schooled in the host culture. A lack of understanding of the host culture will lead the manager to think and act as he would in his home culture. Such a self-reference criterion, that is, the unconscious reference to one's own cultural values- has been termed the root cause of most international business problems abroad. The goal should be to eliminate this cultural myopia.

## **MODULE – VII**

### **Consumer decision making process:**

#### **Personal influence and the opinion leadership process:**

##### **Opinion leadership:**

It is the process by which one person (the opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients. The key characteristics of the influence takes and I that it is interpersonal and informal place between two or more people, none of whom represents a commercial selling source that would gain directly from the sale of something. WOM implies personal or face-to-face communication, although it may also take place in a telephone conversation or within the context of e-mail or a chat group on the internet. This communication process is likely, at times also be reinforced by nonverbal observations of the appearance.

##### **Viral Marketing:**



Also known as “buzz marketing”, “wildfire marketing”. VM describes “any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message exposure and influence”. VM is the marriage of e-mail and WOM. It is also named “viral” because it allows a message to spread like a virus .

### **Dynamics of the opinion leadership process:**

The opinion leadership process is a very dynamic and powerful consumer force. As informal communication sources, opinion leaders are remarkably effective at influencing consumers in their product related decisions. Some of the reasons for the effectiveness of opinion leaders are discussed next:

i. Positive and negative product information

ii. Information & advice: Opinion leaders are the source of both information and advice. They may simply talk about their experience with a product, relate what they know about a product, or, more aggressively, advise others to buy or to avoid a specific product.

iii. Opinion leadership is category specific; Opinion leadership tends to be category specific; that is, opinion leaders often “specialize” in certain product categories about which they offer information and advice. When other product categories are discussed, however, they are just as likely to reverse their roles and become opinion receivers. A person who is considered particularly knowledgeable about boats may be an opinion leader in terms of this subject, yet when it comes to purchasing a VCR, the same person may seek advice from someone else- perhaps even from some one who has sought his advice on boats.

iv. Credibility: Opinion leaders are highly credible sources of information. The opinion leader offers advice that does not have a commercial motive.

v. Opinion leadership is a two way street: They give opinion and sometimes they receive opinion also.

### **The motivation behind opinion leadership:**

**i. The needs of Opinion Leader:** What motivates a person to talk about a product or service? Motivation theory suggests that people may provide information or advice to others to satisfy some basic need of their own. However opinion leaders may simply be trying to reduce their won post purchase dissonance by confirming their own buying decisions. Example: I purchased on powerhouse system then I am uncertain whether I have made the right choice, and then may reassure myself by “talking up” the product’s advantage to others. Furthermore, I can influence a friend or neighbor to also get powerhouse, this confirms my good judgment in selecting the powerhouse first. Thus the opinion leader’s true motivation may really be self-confirmation or self-involvement.

In addition to self-involvement, the opinion leader may also be motivated by product involvement, social involvement, and message involvement opinion leaders who are motivated by product involvement may find themselves so pleased or so disappointed with a product that they simply must tell others about it.

Those who are motivated by social involvement need to share product related experiences. The pervasiveness of advertising in our society encourages message involvement. Individual who are bombarded with advertising message and slogans tend to discuss them and the products they are designed to sell. Such WOM conversation is typified by the popular use in everyday conversation such as hutch “wherever you go our network follows”. Etc.

**ii. The needs of opinion receiver:** Opinion Receivers satisfy a variety of needs by engaging in product related conversations. First, they obtain new product or new usage information. Second, they reduce their perceived risk by receiving first hand knowledge from a user about a specific product or brand. Third, they reduce the search time entailed in the identification of a needed product or service.

**iii. Purchase Pals:** Researchers have also examined the influence of ”purchase pals” as information sources who actually accompany consumers on shopping trips.

Weak Tie- Neighbor, class mate or work colleague.

Strong Tie- Mothers, husband or wife.

**iv. Surrogate Buyers Vs Opinion leaders:** Although the traditional model of new product adoption shows opinion leaders influencing the purchase many new products & services, there are instances in which surrogate buyers replace opinion leaders in this role. E.g., most new drug starts out requiring a doctor’s prescription; your service station decides which brand of disc brake pads to install in your car.

### **Diffusion of innovations:**

The acceptance of new products and services, ideas, new practices known as diffusion of innovations.

**Diffusion:** It is a macro process that concerned with the spread of a new product (an innovation) from its source to the consuming public.

### **Adoption:**

It is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.

There is another concept known as consumer innovators: who are the first to purchase a new product. The ability of marketers to identify and reach this important group of consumers plays a major role in the success or failure of new product introductions.

### **The diffusion process:**

**(i) The Innovation:** No universally accepted definition of the terms product innovation or new product exists. Instead, various approaches have been taken to define a new product or a new service.

- ✓ **Firm-oriented definition:** This approach treats the newness of a product from the perspective of the company producing or marketing it. When the product is “new” to the

company, it is considered new. This definition ignores whether or not the product is actually new to the market place. Consistent with this view, copies or modifications of a competitor's product would qualify as new.

- ✓ **Product-oriented definition:** Introduction of a modified product. Creation of a new product. Modification of an existing product. Consumers adopt new behaviour pattern with usage of the product like TV, Radio, and Home Computers etc.
- ✓ **Market-oriented definition:** This approach judges the newness of a product in terms of how much exposure consumers have to the new product. Two way:
  - A product is considered new if it has been purchased by a relatively small (fixed) percentage of the potential market.
  - A product is considered new if it has been on the market for a relatively short (specified) period of time.
- ✓ **Consumer-oriented definition:** A “new” product is any product that a potential consumer judges to be new. In other words, newness is based on the consumer's perception of the product rather than physical features or market realities.

Product characteristics that influence diffusion:

1. Relative advantage
2. Compatibility
3. Complexity
4. Triability
5. Observability

#### **(ii) The Channels of Communication:**

How quickly an innovation spreads through a market depends to a great extent on communications between the marketer and consumers, as well as communication among consumers (WOM Communication). Of central concern is the uncovering of the relative influence of impersonal spouses (advertising & editorial) and interpersonal sources (sales people & informal opinion leader)

#### **(iii) The Social System:**

The diffusion of a new product usually takes place in a social setting frequently referred to as a social system. In the context of CB, the terms market segment and target market may be more relevant than the term social system used in diffusion research. A social system is a physical, social or cultural environment to which people belong & within which they function.

The orientation of a social system, with its own special values or norms is likely to influence the acceptance or rejection of new products. When a social system is modern in orientation, the acceptance of innovation is likely to be high. In contrast when a social system is traditional in orientation, innovations that are perceived as radical or as infringements on established customs are likely to be avoided.

#### **(iv) Time:**

It is the backbone of the diffusion process.

- ✓ Purchase time: It refers to the amount of time that elapses between consumers' initial awareness of a new product or service and the point at which they purchase or reject it. When the individual purchase time is short, a marketer can expect that the overall rate of diffusion will be faster than when the individual purchase time is long.
- ✓ Adoption categories: Based on when the consumers adopt a new product. Innovator: 2.5%; Early Majority: 34%; Late Majority: 34%; Laggards: 16%.

### **The Adoption Process:**

It is often assumed that the consumers move through five stages in arriving at a decision to purchase or reject a new product.

- ✓ Awareness: Consumer is first exposed to the product innovation.
- ✓ Interest: Consumer is interested in the product and searches for additional information.
- ✓ Evaluation: Consumer decides whether or not to believe that this product or service will satisfy the need – a kind of “mental trial”.
- ✓ Trial: Consumer uses the product on a limited basis.
- ✓ Adoption (rejection): If trial is favourable consumer decides to use the product on a full rather than a limited basis- if unfavourable, the consumer decides to reject it.

### **Consumer Decision Making:**

A decision is the selection of an option from two or more alternative choices. When a person has a choice between making a purchase and not making a purchase, a choice between brand X and brand Y, that person is in a position to make a decision. On the other hand, if the consumer has no alternatives from which to choose and is literally forced to make a particular purchase or take a particular action (e.g., use a prescribed medication), then this single “no-choice” instance does not constitute a decision; such a “no-choice” decision is commonly referred to as a “Hobson’s choice”.

#### **Levels of consumer decision-making:**

Not all consumer decision-making situations receive (or require) the same degree of information search. If all purchase decisions required extensive effort, then consumer decision-making would be an exhausting process that left little time for anything else. On the other hand, if all purchases were routine, then they would tend to be monotonous and provide little pleasure or novelty. On a continuum of effort ranging from very high to very low, we can distinguish three specific levels of consumer decision-making:

- ✓ **Extensive Problem solving:** When consumers have no established criteria for evaluating a product category or specific brands in that category or have not narrowed the number of brands they will consider to a small manageable subset, their decision-making efforts can be classified as extensive problem solving. At this level, the consumer needs a great deal of information to establish a set of criteria on which to judge specific brands and a correspondingly large amount of information concerning each of the brands to be considered.
- ✓ **Limited Problem Solving:** At this level of problem solving, consumers already have established the basic criteria for evaluating the product category and the various brands in the category. However, they have not fully established preferences concerning a select group of brands. Their search for additional information is more like “fine-tuning”; they must gather additional brand information to discriminate among the various brands.

- ✓ **Routinised Response Behavior:** At this level, consumers have experience with the product category and a well-established set of criteria with which to evaluate the brands they are considering. In some situations, they may search for a small amount of additional information; In others, they simply review what they already know.

Just how extensive a consumer's problem-solving task is depends on how well established his or her criteria for selection are, how much information he or she has about each brand being considered, and how narrow the set of brands is from which the choice will be made. Clearly, extensive problem solving implies that the consumer must seek more information to make a choice, whereas routinised response behavior implies little need for additional information.

All decisions in our lives cannot be complex and require extensive search and consideration—we just cannot exert the level of effort required. Some decisions have to be “easy ones”.

#### **Models of consumers: Four views of consumer decision-making:**

How and why individuals behave as they do. Four views:

**(i) An Economic View:** In economics consumers have often been characterized as making rational decisions. This model, called the “economic man theory”, has been criticized by consumer researchers for a number of reasons. To behave rationally in the economic sense, a consumer would have to (a) be aware of all available product alternatives (b) Be capable of correctly ranking each alternative in terms of its benefits and disadvantages and (c) Be able to identify the one best alternative. 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.

**(ii) A passive view:** Depicts the consumer as basically submissive to the self-serving interests and promotional efforts of marketers. In the passive view, consumers are perceived as impulsive & irrational purchasers, ready to yield to the aims and into the arms of marketers. At least to some degree, the passive modes of the consumer were subscribed to by the hard-driving super sales people of old, who were trained to regard the consumer as an object to be manipulated.

**(iii) A cognitive View:** The third model portrays the consumer as a thinking problem solver. Consumers actively search for products and services that fulfil their needs and enrich their lives.

Here, consumers are viewed as information processors. Information processing leads to the formation of preferences and ultimately to purchase intentions. The cognitive view also recognizes that the consumer is unlikely to even attempt to obtain all available information about every choice. Instead, consumers are likely to cease their information-seeking efforts when they make a “satisfactory” decision.

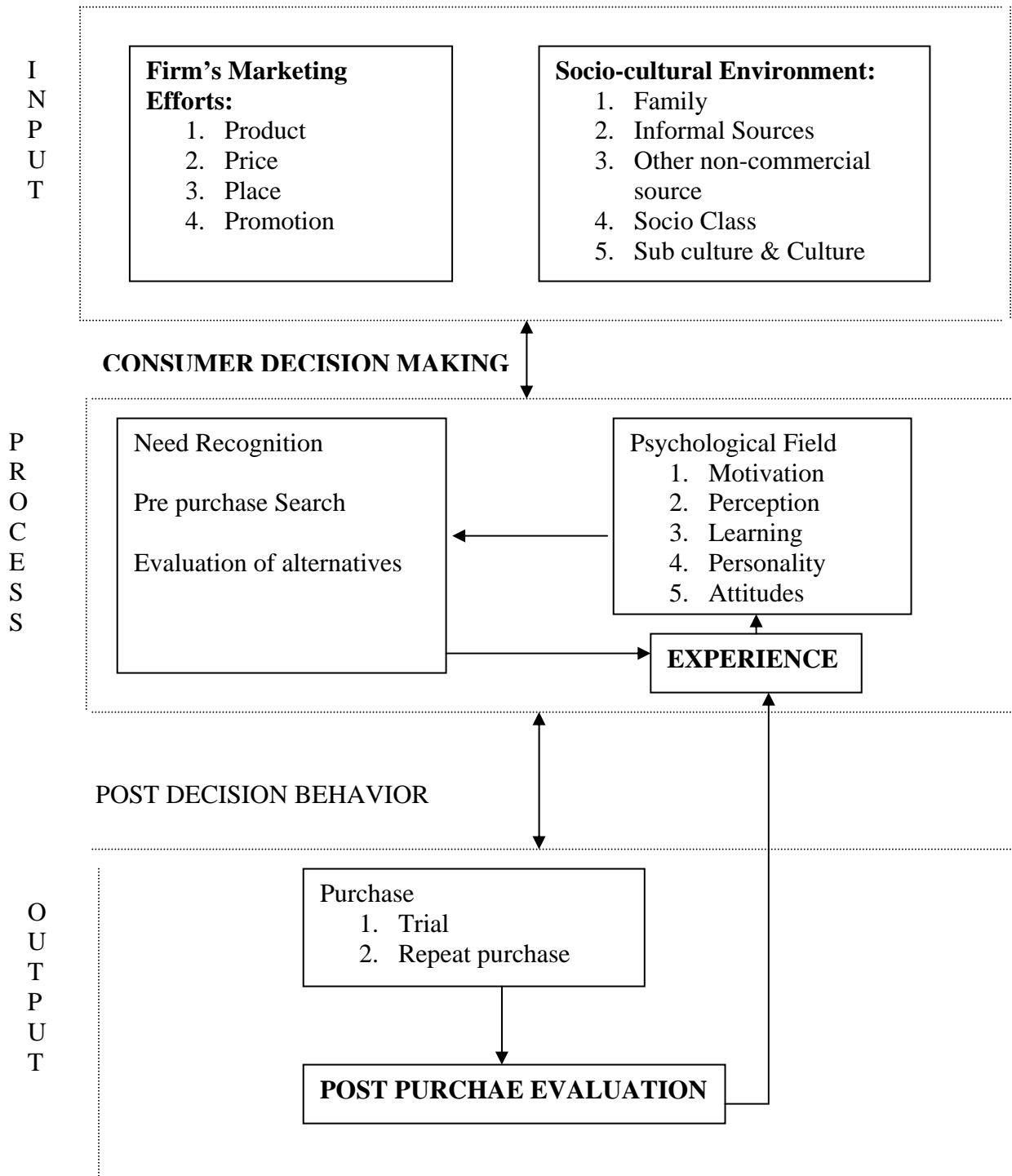
The cognitive, or problem-solving view describes a consumer who falls somewhere between the extremes of the economic and passive views, who does not (or can not) have total knowledge about available product alternatives and, therefore, can not make perfect decisions, but who nonetheless actively seeks information and attempts to make satisfactory decisions.

**iv) An Emotional View:** Although long aware of the emotional or impulsive model of consumer decision making, marketers frequently prefer to aim at consumers in terms of economic or passive models.

Reality, each of us is likely associate deep feelings or emotions, such as joy, fear, love, hope, sexuality, fantasy with certain purchases or possessions. These feelings or emotions are likely to be highly involving. For instance, a person who misplaces a favourite fountain pen might go to great lengths to look for it, despite the fact that he or she has six others at hand.

When a consumer makes what is basically an emotional purchase decision, less emphasis is placed on the search for pre-purchased information. Instead, more emphasis is placed on current mood and feelings (go for it).

**Model of Consumer Decision Making: Input-process-Output Model:**



### **Consumer Gifting Behavior:**

Gifts are a particularly interesting part of consumer behavior products and services chosen as a gift represent more than “ordinary” purchases. Because of their symbolic meaning, they are associated with such important events as mother’s day, births, birthday, engagement, wedding, graduations, valentine day and many other accomplishments and milestones.

Gift behavior has been defined as the process of gift exchange that takes place between a giver and a recipient.

Gifting is an act of symbolic communications, love and regret to obligation and dominance. The nature of relationship between gift giver and gift receiver is an important consideration in choosing a gift. Often gifting impact the relationship between the giver & recipient.

<b>Gifting Relationship</b>	<b>Definition</b>	<b>Example</b>
Inter group	A group giving a gift to another group	A Christmas gift from one family to another family
Inter Category	An individual giving a gift to a group or a group giving a gift to an individual	One individual gives gift to husband & wife both instead individual on marriage anniversary.
Intra group	A group giving a gift to itself or its members	A family buys a VCR for itself as a Christmas gift.
Interpersonal	An individual giving a gift to another individual.	Valentine’s day chocolate presented from a boy friend to a girl friend.
Intra personal	Self-gift	A woman buys herself jewellery to cheer herself up

### **Beyond the decision: Consuming and Processing:**

The emphasis in consumer behavior studies has been on product, service, and brand choice decisions. As we have studied through out the course, however there are many more facets to CB. The experience of using products and services, as well as the sense of pleasure derived from possessing, collecting or consuming “things” and “experiences” (mechanical watches, old fountain pens or a baseball card collection)

Contributes to consumer satisfactions and overall quality of life. These consumption outcomes or experiences, in turn, affect consumer future decision process.

### **Online decision making in consumer purchase process:**

Consumers keep making decisions to buy the products of their choice. The steps included in the decision-making are same as discussed earlier.

1. Problem recognition

2. Information search
3. Evaluation of alternatives
4. Purchase
5. Post purchase behaviour.

The decision-making as we have seen earlier is influenced by the internal determinants which include learning, memory, personality, self concepts, attitude, motivation and involvement. The external determinants consist of cultural and sub cultural influences, social group influences, family influences, social influences and other influences. External and internal influences thus, together influence the decision-making process and most customers follow these steps in a logical manner.

E-business enhances this process, and saves time of the consumer by providing all relevant information on the Internet that is required.

### **Problem Recognition:**

A problem is recognised when there is a gap between the existing and the desired position in the use of a product by the consumer. This gap may be caused by a number of factors, and it has to be reduced for satisfaction of the consumer. E-Business provides the customer with more information regarding products and services. The customer, therefore, has a better understanding of the solving of these problems and starts demanding products, which were earlier not available locally. He has higher aspirations and fulfils his needs in a better way.

For example, microwave oven and automatic dishwashers, which were not available locally, are now made available to the Indian Consumer.

### **Information search and evaluation of alternatives:**

Once the problem is recognised, the customer can find the alternatives to solve the problem on the computer. It gives enough and sufficient information to a consumer to choose. It provides many alternatives which can also be evaluated by mathematical models in the case of extensive problem solving, where more money and time is at stake. The evaluation of alternatives can be done speedily, and the advantages and disadvantages of various brands and products can be recognised. This also depends on the weightage given to different desired attributes in a product and making assumptions on a comparative scale. Internet can give comparative charts for making evaluation easier and rational.

The computer can also help in deciding about the choice heuristics (rule that guides the decision in areas of high probability). Information processing becomes easier and the area of information is enlarged greatly.

### **Purchase:**

E-consumer is a fully informed consumer and is aware of various product offerings by all competitors. His purchase decision cannot be influenced easily. He takes rational decisions and usually decides to go for a product that offers good value for money. He also knows the advantages and disadvantages of when to buy, how to buy, from where to buy, what to buy, and whom to buy.

### **Post purchase behavior:**

After using the product/service consumers can electronically interact with the manufacture or marketer giving valuable feedback. The critical feedback to the company regarding the improvement of the product. If the customer is dissatisfied, he may communicate his anger against



the company to lakhs of people worldwide instantly. This may affect the reputation and good will of the company and tarnish its image. A satisfied customer acts as a best advertising and promotional means of worldwide publicity at no cost.

The theoretical study of consumer behaviour cannot be overlooked and remains an important aspect, in spite of the development of E-business. The theoretical framework of consumer behaviour has to be understood and applied in the application of E-business for proper marketing results. E-business does not replace, but supplements the theoretical foundation of consumer behaviour.

## **MODULE – 8**

### **C RM in consumer marketing: Focus on customer relationship:**

There have been a number of studies in the recent times on how customer retention can contribute significantly to profitability. In the times of Internet, it is worthwhile to analyse how this low-cost reach can lead to profitability. Some companies like Siebel, Oracle and Braodvision have created useful CRM products, which can track a number of dimensions of consumer behaviour. There is a basic need on the part of any organisation to have a good internal coordination before a CRM package can be used effectively. The impact of consumer behaviour dimensions on CRM is equally important to firms conducting business on the Net. A study indicated that though the acquisition costs of consumers can be high on the Net, they spend more over a period of time if they develop loyalty towards an online store. Even so, McKinsey study in 1999 proved that among customer attraction, customer conversion and customer retention, the greatest profitability comes from the investments made in customer retention rather than customer attraction or conversion.

Peter Drucker said, “The purpose of a business is to create customers.” Implied in his words and his work is the importance of keeping those same customers and of growing the depth of their relationship with you. Initially, new customers cost you money-money spent on advertising and marketing and money spent learning what they want and teaching them how best to do business with you. CRM can be the single strongest weapon you have as a manager to ensure that customers become and remain loyal.

CRM is a comprehensive approach for creating, maintaining and expanding customer relationships.

The relationship marketing approach has great significance from the organisations’ point of view due to the following:

- ✓ Reduction in customer recruitment cost
- ✓ Generation of more and more loyal customers
- ✓ Expansion of customer base
- ✓ Reduction in advertisement and other sales promotion expenses
- ✓ Benefiting customer selectivity approach
- ✓ Increase in the number of profitable customers
- ✓ Easy introduction of new products
- ✓ Easy business expansion possibilities
- ✓ Increase in customer partnering. Etc.

### **Building Customer Relationship Management:**

**Step 1: Acquisition:** It is a vital stage in building customer relationship. The acquisition process constitutes the following stages.

- ◆ Enquiry
- ◆ Interaction
- ◆ Exchange
- ◆ Co-ordination
- ◆ Adoption

Each one of the above stages assumes a significant role in the acquisition process. In the enquiry stage, the prospective buyer undertakes a detailed enquiry with regard to several aspects pertaining to the organisation, product, nature of transaction and all other related aspects. Having stored the information he passes on to the interaction stage, where the customer interacts with the organisation and obtains additional information, clarifies and ensures already collected information.

Terms of exchange, mode of delivery and other things related to exchange, are settled at the exchange stage. Further coordinated effort on either side would lead the customers moving to adoption of the product or service concerned, and that completes the acquisition process.

**Step 2: Customer Interaction Management (CIM):** Interaction plays a lead role in building customer relationships. CIM constitutes the customer relationship technologies with additions of technology-based interactive solutions. The interactive channels that are currently available enable very effective customer interactive communications, which leads to CIM, which further leads to relationship building.

In view of technology growth, the interaction management is facilitated by communication in terms of media, message, speed, accuracy, distance, content, reach, repetition etc. The customer interaction management stands for intensive interaction between customers and the organisation, which is supported by technology-enabled mechanisms such as Internet.

CIM can assume the following routes:

- ◆ Online routes- e-mails, web communities, chat rooms.
- ◆ Offline routes- telephone, fax, mails, interactive television network.
- ◆ Outsourcing

**Step 3: Customer Retention:** The focus of the organisations is more on customer retention than simply on customer acquisition. Customer retention is the process of keeping customers in the customer inventory for an unending period by meeting the needs and exceeding the expectations of those customers. It is the approach of converting a casual customer into a committed loyal customer.

CRM is a complete system with a number of inter-linkages- beginning with what type of consumers should be targeted to finally obtaining efficiency in it. Unless an organisation has a holistic view of CRM, it may begin to concentrate on those aspects of CRM may not have critical linkages with the other important dimensions of marketing. Online processing or customer call-centres alone cannot lead to a successful CRM. A CRM has to start with a good database of consumers and it should have a historical perspective on them. For example, it should be possible for a CRM programme to have specific strategies for prospects, first-time buyers, repeat buyers and advocates. CRM

strategies have to take into consideration these differences to qualify consumers for a CRM programme. This is important because a CRM programme has to be beneficial both to the company and its consumers and holds true in the case of both consumer and industrial products.

### **E-CRM:**

E-commerce really is not a new game. It's an extension of the game we have been playing since the dawn of commerce- the game of creating, maintaining, and expanding customer relationships. To play the game of business in this century, it's important to know what e-commerce can do for you and how it's changing customer expectations. Working with the touchstone of your CRM strategy, you will be able to use new rules and the new tools offered by e-commerce to satisfy your customers.

The Internet can enable your CRM strategy in three ways:

**Level 1: Getting information out to customer:** The Internet can provide an avenue for getting information about your business and your products and services to your current and potential customers. At its most basic level, this means letting them know you are there and how to reach you in the "real world". It can be as simple as a Web-based brochure that describes your products and services and tells customers where you are located and how to reach you by phone.

**Level 2: Getting information back from customers:** The next level of sophistication means you not only provide information to your customers, but also learn more about them and from them. The Internet allows you to collect all sorts of useful- and sometimes not so useful- data about your customers. Sometimes this means customers respond to questions and provide you useful information. In other cases you may be able to collect information that's very useful to your business without interfering at all with the customer experience.

**Level 3: E-commerce sales:** At its highest level, you can use the Internet to deliver products and services to your customers. You can have mutually rewarding relationships with customers you never see, meet, or speak with! Your entire relationship can successfully exist in cyberspace. With the technology available today, you can sell your products over the Internet, respond to customer questions., offer additional products and services based on previous purchases, and evaluate customers' satisfaction with your offerings- all without ever dealing with them in person. Leveraging the Internet can free up resources to deliver higher levels of value to customers in new ways.

**Level 4: Getting Information out to Customers:** With half of American households wired to the internet, and the numbers growing throughout the United States and the world, you should expect your customers to search the Web for information about you and your products and services. From a CRM standpoint, it's helpful to think about this level of Internet activity in two ways, passive and active.

### **CRM and ECRM: The Difference:**

Being able to take care of your customer via the internet, or, customers being able to take care of themselves online: that's the difference between CRM and ECRM. It implies a myriad of issues, questions, approaches, technologies, and architecture that are different from client/server-based CRM. Many of them are issues general to the Internet. Others are issues related to the certain of

applications for the Internet. The third group is related directly to ECRM and its actual value to business.

### **The CRM Process:**

The final objective of the CRM process is to originate a powerful new tool for customer retention. The focus of any process is to achieve something we have always wanted, but didn't have the proper resources. The CRM implementation and success rate purely depend upon the process, which includes the future, revenue, customer value, customer retention, customer acquisition and profitability.

#### A Closed-loop CRM Process:

- ◆ Gathering information: Initially, gather information about customers. Customer data comes from sources both internal and external to organisation.
- ◆ Perform data aggregation: It is here that the data is merged and compressed into a complete view of the customer. A large customer data repository is produced.
- ◆ Create “exploration warehouses”: These are extracts of the customer data needed to support specific analyses, such as customer profitability and predictive modelling. Exploration warehouses are the engines for analytical applications that support identification of opportunities and developing strategies.
- ◆ Execution of strategies: Execute these strategies by developing and launching marketing campaigns across targeted segments of customers. Campaign execution inevitably results in an interaction with customers.

Finally, once a customer interaction takes place and the customer responds, capture that response and “recycle” it to use in the on-going learning, analysis, and refinement process.

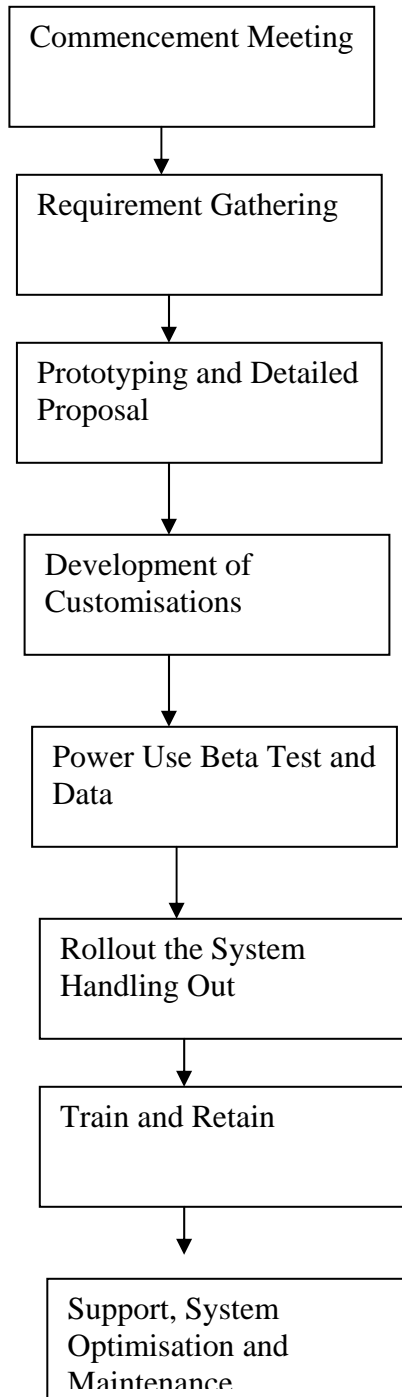
Each time the process loop is completed, more is learned about the needs and wants of customers. Marketing improves as understanding of customers is enhanced and the ability to anticipate their needs increases.

### **CRM Implementation:**

If you attempt to implement a CRM package without knowing how implementation work, it is likely that you will face problems throughout the project and you could be in for a fall-and a big one at that, it could even be a job termination. The statement of work and the change management processes have to be clear prior to starting the installation.

Forget about planning it in the course of customisation. Figure it out this way. The industry thumb rule is that the implementation services will cost you at least double to triple the price of the software itself. This definitely needs your attention.

It is definitely necessary to have a formal steering committee that consists of the stake holders, program managers, project managers, and so on who would review the project as it moves through the implementation stages.



*CRM Implementation Steps*

**THE END**