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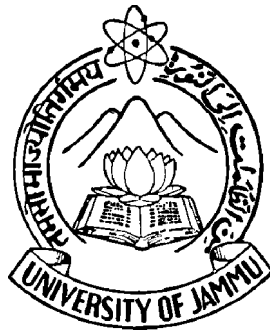
SELF LEARNING MATERIAL
B. A. SEMESTER - I

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UNIT-I	LESSON NO. 1

CONSUMER BEHAVIOUR

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1.1   INTRODUCTION

Consumer behaviour includes two things; consumer and behaviour. Consumer is used to represent situations where a product can be consumed and customer is used to deal with situation where the product can't be directly consumed. Thus, we are consumers of food and drugs but customer in case of garments, consumer durables, cars, etc. Behaviour refers the way of acting or functioning. Behaviour is the interaction with the ambient surrounding environment, inherent in living creatures and mediated by the external (Motor) and inner (physic) activeness. Behaviour is generally mediated by needs, motives, personality, perception, learning, involvement, attitude, communication, persuasion, culture, reference groups, family and social class. Thus, Consumer Behaviour is defined as an action of consumers in the market place and underlying motives for those actions. Marketers expect that by understanding what causes consumers to buy particular goods and services, they will be able to determine which products are needed in the marketplace, which are obsolete, and how best to present those goods to the consumer. It's the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products, services and ideas that they expect, will satisfy their needs. It is the study of how individuals make decisions to spend the available resources on consumption-related items and also includes the study of what they buy, why they buy it, when they buy it, where they buy it, how often they buy it and how often they use it.

Consumer Behaviour versus Consumption Behaviour

'Consumer behaviour' is the case of micro behaviour whereas 'Consumption behaviour' is macro behaviour. In other words, consumer behaviour is to do with individual person while consumption behaviour with the mass or aggregate of such individuals. Consumer behaviour, as a study, focuses on the decision process of the individual consumer or consuming unit. It encompasses all the efforts; explains an actor's acts of choice either at a given time or over a period of time. In contrast, the consumption behaviour, as a study, is to do with the explanation of the behaviour of the aggregates of consumers or the consuming units, either at a given point of time or over a period of time.

Buyer behaviour refers to both the end users and intermediate users. End users are the ultimate users or the consumers in the true sense. Intermediate users are the industrials who do not consume the goods and services but add further value before they are used by the final users.

The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It includes the study of what they buy, why they buy, when they buy, where they buy, how they buy it, and how often they use it. It is important for the marketers and future marketers to recognize why and how individuals make their consumption decisions in order to make better strategic marketing decisions. If marketers understand consumer behaviour, they can predict the reactions of the consumers and can shape their marketing strategies accordingly.

Types of Consumer Behaviour

Consumer decision making varies with the type of buying decision. The decisions to buy toothpaste, a tennis racket, a personal computer and a new car are all very different. There are four types of consumer buying behaviour based on the degree of buyer involvement and the degree of differences among brands. They are as follows:

i.   **Complex Buying Behaviour:** Consumers engage in complex buying behaviour when they are highly involved in a purchase and aware of significant differences among brands. This is usually the case when the product is expensive, bought infrequently, risky and highly self expressive. Typically the consumer does not know much about the product category and has much to learn. Consumer Behaviour of small car owners is of this type. Complex Buying Behaviour Process Complex Buying Behaviour involves three step processes. First, the buyer develops beliefs about the product. Second, he or she develops attitudes about the product. Third, he or she makes a thoughtful purchase choice. The marketer of a high involvement product must understand high involvement consumers' information gathering and evaluation behaviour. The marketer needs to develop strategies that assist the buyer in learning about the products

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attributes and their relative important and should differentiate the brand's features**.**

ii. **Dissonance-reducing Buying Behaviour**: In this case the buyer may respond primarily to a good price or to purchase at convenience. For example, carpet buying is a highly involvement decision because it is expensive and self-expressive. After the purchase, the consumer might experience dissonance that arises from noticing certain disquieting features of the carpet or hearing favourable things about other carpets. To counter such dissonance, the marketers after sale communication should provide evidence and support to help consumers feel good after their brand choice.

iii. **Variety-seeking Buying Behaviour:** Some buying situations are characterized by low consumer involvement but significant brand differences. Here consumers are often observed to do a lot of brand switching. For example, the consumer chooses a particular brand of cookies without much evaluation and evaluates during consumption. But next time, the consumer may reach for another brand out of boredom or a wish to experiment. Brand switching occurs for the sake of variety rather than out of satisfaction.

iv. **Habitual Buying Behaviour:** Under this situation, a marketer should repeat advertisement of such product to create brand familiarity rather than brand conviction. Consumers do not form a strong attitude towards a brand but select it because it is familiar. After the purchase, consumers may not even evaluate the choice because they are not highly involved with the product. So the buying process is brand beliefs formed by passive learning, followed by purchase behaviour which may be followed by evaluation.

Therefore, marketers of such product should use instrument like price and sales promotions to stimulate product trial as the buyers are not highly involved or committed to any brand. They should link the product to some involving issues. For example, toothpaste avoiding cavities and secondly by linking the product to some involving situation. The study of consumers helps

firms and organisations improve their marketing strategies by understanding issues such as how consumers think, feel, reason, and select between different alternatives (e.g., brands, products); how they influenced by his or her environment (e.g., culture, family, signs, media); their behaviour while shopping or making other marketing decisions; consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer; and marketers can adapt and improve their marketing campaigns and strategies to more effectively reach the consumer. Therefore, consumer behaviour involves the study of how people-either individuals or in groups acquire, use, experience, discard, and make decisions about goods, services, or even lifestyle practices such as socially responsible and healthy eating.

1.2   OBJECTIVES

After reading this lesson you would be able:

- To understand the concept of consumer behaviour.
- To know about Development of consumer behaviour as a field of study.
- To understand the concept of consumer research.

1.3   OVERVIEW OF CONSUMER BEHAVIOUR

In the 1940s and 50s, marketing was dominated by the so-called *classical schools of thought* which were highly descriptive and relied heavily on case study approaches with only occasional use of interview methods. At the end of the 1950s, two important reports criticised marketing for its lack of methodological rigor, especially the failure to adopt mathematically-oriented behavioural science research methods. The stage was set for marketing to become more inter-disciplinary by adopting a consumer-behaviourist perspective.

From the 1950s, marketing began to shift is reliance away from economics and towards other disciplines, notably the behavioural sciences, including sociology, anthropology and clinical psychology. This resulted in a new emphasis on the customer as a unit of analysis. As a result, new substantive knowledge was added to the marketing discipline- including such ideas as opinion

leadership, reference groups and brand loyalty. Market segmentation, especially demographic segmentation based on socioeconomic status (SES) index and household life-cycle, also became fashionable. With the addition of consumer behaviour, the marketing discipline exhibited increasing scientific sophistication with respect to theory development and testing procedures.

In its early years, consumer behaviour was heavily influenced by motivation research, which had increased the understanding of customers, and had been used extensively by consultants in the advertising industry and also within the discipline of psychology in the 1920s, 30s and 40s. By the 1950s, marketing began to adopt techniques used by motivation researchers including depth interviews, projective techniques, thematic apperception tests and a range of qualitative and quantitative research methods.

More recently, scholars have added a new set of tools including: ethnography, photo-elicitation techniques and phenomenological interviewing. Today, consumer behaviour (or *CB* as it is affectionately known) is regarded as an important sub-discipline within marketing and is included as a unit of study in almost all undergraduate marketing programs.

Consumer behaviour is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioural responses that precede or follow these activities. Consumer behaviour emerged in the 1940s and 50s as a distinct sub-discipline in the marketing area.

Consumer behaviour is an inter-disciplinary social science that blends elements from psychology, sociology, anthropology, anthropology, ethnography, marketing and economics, especially behavioural economics. It examines how emotions, attitudes and preferences affect buying behaviour. Characteristics of individual consumers such as demographics, personality lifestyles and behavioural variables such as usage rates, usage occasion, loyalty, brand advocacy, willingness to provide referrals, in an attempt to understand people's wants and consumption are all investigated in formal studies of consumer behaviour. The study of consumer behaviour also investigates the influences, on

the consumer, from groups such as family, friends, sports, reference groups, and society in general.

The study of consumer behaviour is concerned with all aspects of purchasing behaviour – from pre-purchase activities through to post-purchase consumption, evaluation and disposal activities. It is also concerned with all persons involved, either directly or indirectly, in purchasing decisions and consumption activities including brand-influencers and opinion leaders. Research has shown that consumer behaviour is difficult to predict, even for experts in the field. However, new research methods such as ethnography and consumer neuroscience are shedding new light on how consumers make decisions.

Customer relationship management (CRM) databases have become an asset for the analysis of customer behaviour. The voluminous data produced by these databases enables detailed examination of behavioural factors that contribute to customer re-purchase intentions, consumer retention, loyalty and other behavioural intentions such as the willingness to provide positive referrals, become brand advocates or engage in customer citizenship activities. Databases also assist in market segmentation, especially behavioural segmentation such as developing loyalty segments, which can be used to develop tightly targeted, customized marketing strategies on a one-to-one basis.

1.3.1 Diversity of Consumer Behaviour

Consumer behaviour entails "all activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioural responses that precede or follow these activities." The term, consumer can refer to individual consumers or organisational consumers. Consumer behaviour is concerned with:

- Purchase activities: The purchase of goods or services; how consumers acquire products and services, and all the activities leading up to a purchase decision, including information search, evaluating goods and services and payment methods including the purchase experience

- Use or consumption activities: Concerns the who, where, when and how of consumption and the usage experience, including the symbolic

associations and the way that goods are distributed within families or consumption units

- Disposal activities: Concerns the way that consumers dispose of products and packaging; may also include reselling activities such as eBay and second-hand markets

Consumer responses may be:

- Emotional (or affective) responses: Refer to emotions such as feelings or moods,

- Mental (or cognitive) responses: Refer to the consumer's thought processes, their Behavioural (or conative) responses: Refer to the consumer's observable responses in relation to the purchase and disposal of goods or services.

As a field of study, consumer behaviour is an applied <u>social science</u>. Consumer behaviour analysis is the "use of behaviour principles, usually gained experimentally, to interpret human economic consumption." As a discipline, consumer behaviour stands at the intersection of economic psychology and marketing science.

Definitions

Acc. to JF Engel, "Consumer behaviour can be defined as the activities and the actions of people and organisation that purchase and use economic goods and services, including the influence on these activities and actions."

Kotler and Armstrong defined it as "Consumer buying behaviour refers to the buying behaviour of final consumers-individuals and households who buy goods and services for personal consumption."

Acc. to Kurtz "Consumer behaviour consists of the acts of individuals in obtaining, using and disposing of economic goods and services, including the decision processes that precede and determine these acts."

Schiffman and Kanuk Defined it as "Consumer behaviour may be defined as the behaviour that consumers display in searching for, purchasing, suing,

evaluating and disposing of produces, services and ideas which they expect will satisfy their needs."

Therefore, the study of consumer behaviour is the study of how individuals make decisions to spend their available resources-money, time and effort-on consumption-related items. However, it may be noted that consumer behaviour research today goes for beyond "what, why, how, when, where and how often" facets of consumer behaviour and also considers the uses which consumers make use of the goods they buy and evaluations of these goods after use. There may be many repercussions after the consumer makes purchase, for example, a buyer may feel sorrow and guilt or dissatisfaction with his choice of a particular scooter, because of continuing maintenance expenses over it. The buyer may decide not to buy the same make or modal again and may also refer to his friends conveying the dismal performance of the scooter. Each of these possible consequences of consumer's post purchase dissatisfaction has significant implication for the marketer. For the marketer, the person is important, who makes the buying decision, not the one who actually makes the purchase or uses the product.

1.3.2 Need for Studying Consumer Behaviour

Consumer decisions are affected by their behaviour. Therefore, consumer behaviour is said to be an applied discipline. This leads to the micro perspective and societal perspective.

Micro Perspective: It involves understanding consumer for the purpose of helping a firm or organisation to achieve its objectives. All the Managers in different departments are keen to understand the consumer. They may be Advertising Managers, Product Designers, Marketing and Sales Managers and so on.

Societal Perspective: It is on the macro level. Consumers collectively influenced economic and social conditions within a society. Consumers strongly influence what will be product, what resources will be used and it affects our standard of living.

Management is the youngest of sciences and oldest of arts and *consumer behaviour in management is a very young discipline*. Various scholars and

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academicians concentrated on it at a much later stage. It was during the 1950s, that marketing concept developed, and thus the need to study the behaviour of consumers was recognised. Marketing starts with the needs of the customer and ends with his satisfaction. When everything revolves around *the customer then the study of consumer behaviour becomes a necessity.* It starts with buying of goods. Goods can be bought individually, or in groups. Goods can be bought under stress (to satisfy an immediate need), for comfort and luxury in small quantities or in bulk. For all this, exchange is required. This exchange is usually between the seller and the buyer. It can also be between consumers.

There are number of reasons make the study of consumer behaviour relevant for effective marketing management. These are as follows:

a.   Consumer of the past reacted to price levels as if price and quality had positive relation. Today, consumers seek value for money, less price but with superior features.

b.   Consumer preferences are changing and becoming highly diversified.

c.   Consumer research has vividly pointed out that consumers dislike using identical products and prefer differentiated products to reflect their special needs, personalities, and life -styles.

d.   Meeting of special needs of customers requires market segmentation.

e.   Rapid introduction of new products with technological advancement has made the job of studying consumer behaviour more imperative.

f.   Consumer behaviour can be used to sell products that might not sell easily because some other product has been satisfying the customer, even if the new product saves life – much quicker than the old product.

g.   Implementing the 'Marketing Concept' calls for studying the consumer behaviour. The shift in the age from selling age to marketing age meant that customer's needs be given priority over the hard- sell tactics. It was realized that consumer would not buy any thing sold. The consumer would buy those products which satisfy needs and wants. Thus, identification of target market before production becomes essential to deliver the desired customer satisfaction and delight.

h.   Study of consumer behaviour has shown fallacies more apparently than ever before. Consumers are loyal to products or organizations. Consumers are not inherently disloyal and they become so only if utterly neglected or conditioned to do so. Loyalty is not dead. If market becomes flooded with more and more products, customer expects their favoured product/ organisation should produce them and deliver the same. Thus, companies who place major emphasis on attracting new customers and place minor emphasis on retaining existing customer should not be surprised to see that the customer has left their fold.

i.   Customers do not patronize the best available product. They patronize the best available offer. Thus, if Mercedes Benz and the Maruti Esteem are the two models that are under customer choice set, then the firm which can promise better payment terms and features would win the customer.

j.   Marketer cannot sell the product to the customer against his will. The marketing mix (product, price, place, promotion) cannot create internal desire of the prospect to buy. The customer has to feel the need and then marketer can provide various satisfiers. A good marketer, therefore, studies the drives and needs of customer and then tries best to satisfy them.

The most important reason for studying consumer behaviour *is the role that it plays in our lives.* We spend a lot of time in shops and market places. We talk and discuss with friends about products and services and get lot of information from T.V. This influences our daily lives. To understand the likes and dislikes of the consumer, extensive consumer research studies are being conducted. These researches try to find out:

- What the consumer thinks of the company's products and those of its competitors?
- How can the product be improved in their opinion?
- How the customers use the product?
- What is the customer's attitude towards the product and its advertising?
- What is the role of the customer in his family?

The following key questions should be answered for consumer research.

1.3.3 Development of Consumer Behaviour as a Field of Study

The field of consumer behaviour studies deal with how individuals, groups and organisations select, buy, use and dispose off products and services to satisfy their needs and desires. Thus, according to Webster, "Buyer behaviour is all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume and tell other people about products and services."

As a matter of fact, customer is the pivot around which the whole industry of nowadays revolves. The economists call the 'customer' a "king". He is just like a voter in democracy. His selection of goods or services determines the fate of products/services. Therefore, in order to attract him more and more, the marketers should know their customers well so that they could treat them in the way they like to be treated, present the goods in the way; they will appreciate and close a sale in such a way that consumer satisfaction is created.

Thus, the study of consumer behaviour is very useful in determining the form, style, packaging, brand, trademark etc., of the product. The whole aspect of buying behaviour determines the durability, price policy and utility aspect in goods. The consumer or buyer behaviour is extremely important for an effective marketing planning. The success or failure of marketing depends largely on target consumer's individual and group reaction that manifest in the buying patterns. The buyer behaviour is concerned with the study of factors that influence a person to buy or not to buy. Its concept lies in understanding the consumer and his motives and therefore, involves seeking answers to pertinent questions like: Why a buyer buys or does not buy a particular brand or product?

1.3.4 Scope of Consumer Behaviour

The scope of consumer behaviour suggested here includes that:

- The behaviour occurs either for the individual, or in the context of a group (e.g., friends influence what kind of clothes a person wears, or family tradition influences which brand of laundry detergent is bought).

- Consumer behaviour involves the use and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. Since many environmental problems result from product disposal (e.g., motor oil being sent into sewage systems to save the recycling fee, or garbage piling up at landfills) this is also an area of interest.

- Consumer behaviour involves services and ideas as well as tangible products.

- The impact of consumer behaviour on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy.

1.3.5 Application of Consumer Behaviour

Four main applications of consumer behaviour are as follows:

1. The most obvious is for marketing strategy-i.e., for making better marketing campaigns. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to schedule snack advertisements late in the afternoon. By understanding that new products are mostly adopted initially by few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success and (2) it is important to please initial customers, since they will in turn influence many subsequent customers' brand choices.

2. A second application is public policy. In the 1980s, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became pregnant while taking the drug. To get consumers' attention, the Federal

Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.

3. Social marketing involves getting ideas across to consumers rather than selling something. Marty Fishbein, a marketing professor, went on sabbatical to work for the Centers for Disease Control trying to reduce the incidence of transmission of diseases through illegal drug use. The best solution, obviously, would be if we could get illegal drug users to stop. This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped. As a result, using knowledge of consumer attitudes, Dr. Fishbein created a campaign that encouraged the cleaning of needles in bleach before sharing them, a goal that was believed to be more realistic.

4. As a final benefit, studying consumer behaviour should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size premium by buying the larger quantity. In other words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are really getting a bargain.

There are several units in the market that can be analysed. Our main thrust in this course is the consumer. However, we will also need to analyse our own firm's strengths and weaknesses and those of competing firms. Suppose, for example, that we make a product aimed at older consumers, a growing segment. A competing firm that targets babies, a shrinking market, is likely to consider repositioning toward our market. To assess a competing firm's potential threat, we need to examine its assets (e.g., technology, patents, market knowledge, and awareness of its brands) against pressures it faces from the market. Finally, we need to assess conditions (the marketing environment). For example, although we may have developed a product that offers great appeal for consumers, a recession may cut demand dramatically.

1.4   CONSUMER RESEARCH

Consumer research is the part of market research in which the preferences, motivations, and buying behaviour of the targeted customer are identified through direct observation, mail surveys, telephone or face to face interviews, and from published sources (such as demographic data). It uses research techniques to provide systematic information about what customers need. Using this information brands can make changes in their products and services, making them more customer-centric thereby increasing customer satisfaction. This will in turn help to boost business.

An organisation that has in-depth understanding about customer decision-making process, is most likely to design a product, put a certain price tag to it, establish distribution centres and promote a product based on consumer research insights such that it produces increased consumer interest and purchases. For example: A an electronic company wants to understand, thought process of a consumer when purchasing an electronic device, which can help a company to launch new products, manage supply of the stock, etc. Carrying out a Consumer electronics survey can be useful to understand the market demand, understand the flaws in their product and also find out issues in the various processes that influence the purchase of their goods. A consumer electronics survey can be helpful to gather information about the shopping experiences of consumers when purchasing electronics, which can enable a company to make well-informed and wise decisions regarding their products and services.

1.4.1 Overview of Consumer Research

Consumer research, sometimes known as market research, is a valuable business tool that can help you understand your customers and what makes them tick. Looking at the driving forces behind customer behaviour, consumer psychology and purchase patterns, it uses research techniques to provide objective information that you can use to craft products, marketing programs and advertising campaigns that increase sales and profitability.

The objective of consumer research is conducted to improve brand equity. A brand needs to know what consumers think when buying a product or service

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offered by a brand. Consumer insights are essential to determine brand positioning among consumers. Another objective is to boost sales, i.e, to look into various territories of consumer psychology and understand their buying pattern, what kind of packaging they like and other similar attributes that help brands to sell their products and services better.

Consumer market research is of two types:

1.   Qualitative Consumer Research: Qualitative research, is descriptive in nature, It is a method that uses open ended questions, to gain meaningful insights from respondents and heavily relies on the following market research methods:

*Focus Groups***:** Focus groups as the name suggests is a small group of highly validated subject experts who come together to analyse a product or service. Focus group comprises of 6-10 respondents. A moderator is assigned to focus group, who helps facilitate discussions among the members to draw meaningful insights

One-to-one Interview: This is a more conversational method, where the researcher asks open ended questions to collect data from the respondents. This method heavily depends on the expertise of researcher. How much the researcher is able to probe with relevant questions to get maximum insights. This is a time-consuming method and can take more than one attempt to gain the desired insights.

Content/Text Analysis: Text analysis is a qualitative research method where researchers analyze the social life by decoding words and images from the documents available. Researchers analyze the context in which the images are used and draw conclusions from them. Social media is an example of text analysis. In the last decade or so, inferences are drawn based on consumer behaviour on social media.

2.   Quantitative Consumer Research

In the age of technology and information, meaningful data is more precious than platinum. Billion dollar companies have risen and fallen on how well they have been able to collect and analyse data, to draw validated insights. Quantitative research is all about numbers and statistics. An involved consumer who purchases

regularly can vouch for how customer-centric businesses have become today. It's all about customer satisfaction, to gain loyal customers. With just one questions companies are able to collect data that has the power to make or break a company. Net Promoter Score question, "On a scale from 0-10 how likely are you to recommend our brand to your family or friends?"

How organic word-of-mouth is influencing consumer behaviour and how they need to spend less on advertising and invest their time and resources to make sure they provide an exceptional customer service. Online surveys, questionnaires, and polls are the preferred data collection tools. Data that is obtained from consumers is then statistically, mathematically and numerically evaluated to understand consumer preference.

Consumer Research Model

According to a study conducted, till a decade ago, researchers thought differently about the consumer psychology, where little or no emphasis was put on emotions, mood or the situation that could influence a customer's buying decision. Many believed marketing was applied economics. Consumers always took decisions based on statistics and math and evaluated goods and services rationally and then selected items from those brands that gave them highest customer satisfaction at the lowest cost.

However, this is no longer the situation. Consumers are very well aware of brands and its competitors. A loyal customer is the one who would not only return to repeatedly purchase from a brand but also, recommend his/her family and friends to buy from the same brand even if the prices are slightly higher but provides an exceptional customer service for products purchased or services offered. Here is where Net Promoter Score (NPS) helps brands identify brand loyalty and customer satisfaction with their consumers. Net Promoter Score survey uses a single question that is sent to customers to identify their brand loyalty and level of customer satisfaction. Response to this question is measured on a scale between 0-10 and based on this consumers can be identified as:

- Detractors: Who have given a score between 0-6.
- Passives: Who have given a score between 7-8.

- Promoters: Who have given a score between 9-10.

1.4.2 Importance/Value of Consumer Research

Consumer research is an important part of any company. Most large corporations allocate large budgets to consumer research because they know how valuable the information gained from listening to consumers is. However, large corporations are not the only companies that can benefit from consumer research. Even a small one location business could benefit tremendously by asking its customers for feedback. Consumer research helps companies improve their products and generate new ideas based on consumer demand.

Launching a product or offering new services can be quite an exciting time for a brand. However, there are a lot of aspects that need to be taken into consideration while a band has something new to offer to consumers.

Here is where consumer research plays a pivotal role. The importance of consumer research cannot be emphasized more. Following points summarises the importance of consumer research:

1. **To understand market readiness:** However good a product or service may be, consumers have to be ready to accept it. Creating a product requires investments which in return expect ROI from product or service purchases. However, if a market is mature enough to accept this utility, it has a low chance of succeeding by tapping into market potential. Therefore, before launching a product or service, organizations need to conduct consumer research, to understand if people are ready to spend on the utility it provides.

2. **Identify target consumers:** By conducting consumer research, brands and organizations can understand their target market based on geographic segmentation and know who exactly is interested in buying their products. According to the data or feedback received from consumer, research brands can even customize their marketing and branding approach to better appeal to the specific consumer segment.

3. **Product/Service updates through feedback:** Conducting consumer research, provides valuable feedback from consumers about attributes

and features of products and services. This feedback enables organizations to understand consumer perception and provide a more suitable solution based on actual market needs which helps them tweak their offering to perfection.

1.4.3 Consumer Research Process

Consumer research plays a very important role, especially when a company decides to launch a new product into the market. Companies conduct market research to better understand the consumers, their needs and their satisfaction level.

After conducting various surveys and focus groups, companies analyse the consumer data and then make recommendations based on the results.

The following illustration explains the consumer research process
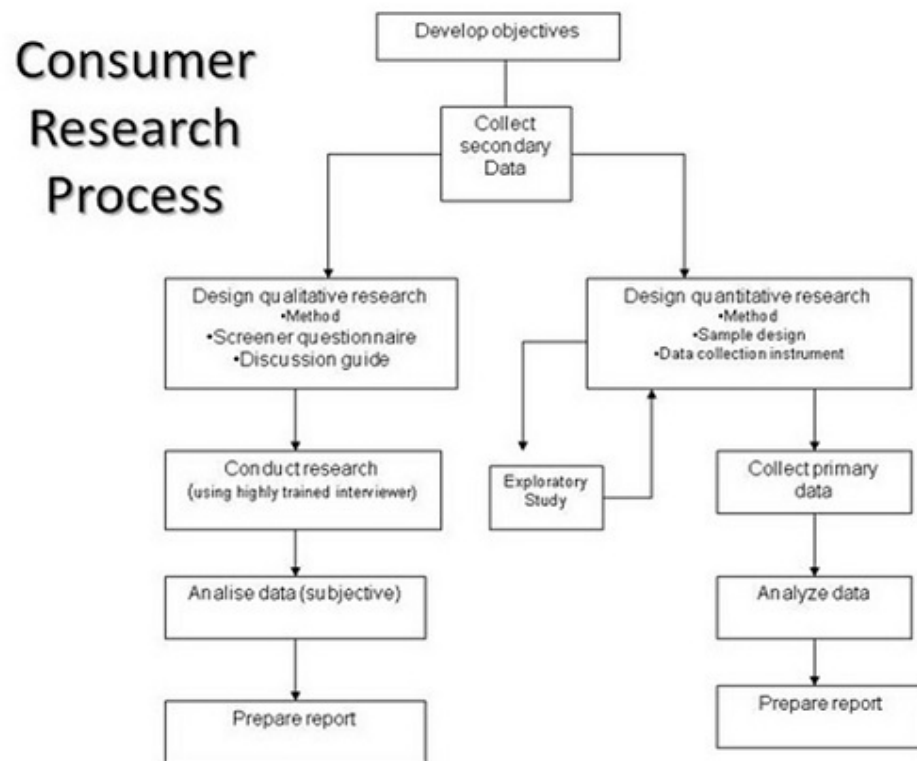
Figure 1: Consumer Research Process

Developing Research Objectives

The first step in the consumer research process is developing the research objectives which involve defining the purpose and objectives to ensure an appropriate design. A statement of objective helps to define the type and level of information needed.

Collect Secondary Data

Collect secondary data first, it helps in understanding if research has been conducted earlier and if there are any pieces of evidence related to the subject matter that can be used by an organisation to make informed decisions regarding consumers. There are two distinct sources of secondary data - internal and external. Always seek internal sources first. Most go straight to Google without considering the fact that data might exist within the organisation itself. This can sometimes be in the 'heads' of the personnel. External sources are numerous. Consumer Generated Media (CGM), especially, has grown in importance as a data source. The key is to avoid spending too much time following 'blind alleys'. This is where the time and cost can escalate sharply.

- Directories
- Country information
- Published marketing research reports
- News sources
- CGM (Newsgroups, blogs, groups)
- Internet – single search engines, and multiple search engines

Primary Research

Primary research is basically the original research. Here you yourself collect the information through various tools available. In primary research, you don't tend to depend on any third parties. You may conduct interviews or surveys, observe, or even directly go to the object for collecting information. This research makes use of various data collection methods (qualitative and quantitative) that helps researchers collect data first hand.

Quantitative Research

A quantitative research study is comprised of research design, the data collection methods, instruments to be used, and the sample design.

Following are the three basic designs or approaches used for quantitative design-

- **Observational Research** d In this method of observational research, the people or customers are observed effectively when they purchase a particular product. It helps the researcher to gain in-depth understanding of the relationship between the people and products by observing them while purchasing and using the product.

- **Experimentation** d Experimentation is a type of research where only certain variables are manipulated while others are kept constant in order to encourage the change in the constant variable

- **Surveys** d A survey is a method of research in which an interviewer interacts with respondents to obtain facts, opinions and attitudes.

Following are the various survey methods which are generally used "

- Personal interview survey

- Telephone survey

- Mail surveys

- Online surveys

- Quantitative research data collection instruments

For quantitative research the primary data collection instrument is a questionnaire and the most frequent one is attitude scale which is used to capture evaluative data.

The important methods of data collection in the qualitative design techniques which are used in the initial stages of research.

- **In-Depth Interview** " Depth interview is conducted in length and in a non-structured manner where the interviewer is highly trained and minimizes his own participation in the discussion once the general subject is discussed.

- **Focus Group** " Focus group involves many respondents who interact with the analyst in a group discussion and focuses on a particular product.

Projective Techniques

Projective techniques are best used to understand the motives of people when they are unconsciously rational.

The analyst generally analyzes and reports his findings based on the responses received in qualitative research whereas in quantitative analysis, the researchers oversees the complete research, analyses the open ended questions, classifies the responses and systematically tabulate them.

Prepare report:

Finally, a report is prepared of all the findings by analyzing data collected so that organizations are able to make informed decisions and think of all probabilities related to consumer behaviour. By putting the study into practice, organisations can become customer-centric and manufacture products or render services that will help them achieve excellent customer satisfaction.

After Consumer Research Process

Once you have been able to successfully carry out the consumer research process, investigate and break paradigms. What consumers need should be a part of market research and should be carried out regularly. Consumer research provides more in-depth information about the needs, wants, expectations and behaviour of clients. By identifying this information successfully, strategies that are used to attract consumers can be made better and businesses can make a profit by knowing what consumers want exactly. It is also important to understand and know thoroughly the buying behaviour of consumers to know their attitude towards brands and products.

The identification of consumer needs, as well as their preferences, allows a business to adapt a new business and develop a detailed marketing plan that will surely work. The following pointers can help. Completing this process will help you:

- Attract more customers

- Set the best price for your products

- Create the right marketing message

- Increase the quantity that satisfies the demand of its clients

- Increase the frequency of visits of their clients

- Increase your sales

- Reduce costs

- Refine your approach to customer service.

1.4.4   Methods of consumer research based on different research objectives

Consumers are the reason for a business to run and flourish. Gathering enough information about consumers is never going to hurt any business, in fact, it will only add up to the information a business would need to associate with its consumers and manufacture products that will help their business refine and grow. Following are consumer research methods that ensure you are in tandem with the consumers and understand their needs:

Studies of customer satisfaction

One can determine the degree of satisfaction of consumers in relation to the quality of products through:

- Informal methods such as conversations with staff about products and services according to the dashboards.

- Past and present questionnaires/surveys that consumers might have filled that identify their needs.

Investigation of the consumer decision process

It is very interesting to know the consumer's needs, what motivates them to buy, and how is the decision-making process carried out, though:

- **Deploying relevant surveys and receiving responses from a target audience.**

Proof of concept

Businesses can test how well accepted their marketing ideas are by:

- The use of surveys to find out if current or potential consumer sees your products as a rational and useful benefit.
- Conducting personal interviews or focus group **sessions with clients to understand how they respond to the marketing ideas.**

Knowing your market position

You can find out how your current and potential consumers see your products, and how they compare it with your competitors by:

- Sales figures talk louder than any other aspect, once you get to know the comparison in the sales figures it is easy to understand your market position within the market segment.
- Attitudes of consumers while making a purchase also helps in understanding the market hold.

Branding tests and user experience

You can determine how your customers feel with their brands and product names by:

- The use of focus groups and surveys designed to assess emotional responses to your products and brands.
- The participation of researchers to study the performance of their brand in the market through existing and available brand research.

Price changes

You can investigate how your customers accept or not the price changes by using formulas that measure the revenue – multiplying the number of items you sold, by the price of each item. These tests allow you to calculate if your total income increases or decreases after making the price changes by:

- Calculation of changes in the quantities of products demanded by their customers, together with changes in the price of the product.
- Measure the impact of the price on the demand of the product according to the needs of the client.

Social media monitoring

Another way to measure feedback and your customer service is by controlling your commitment to social media and feedback. Social networks *(especially Facebook)* are becoming a common element of the commercialisation of many businesses and are increasingly used by their customers to provide information on customer needs, service experiences, share and file complaints. It can also be used to run surveys and test concepts. If handled well, it can be one of the most powerful research tools of the client. I also recommend reading: How to conduct a market research through social networks.

1.5   LET US SUM UP

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. It is important for marketers to study consumer behaviour. It is important for them to know consumers as individual or groups opt for, purchase, consumer or dispose products and services and how they share their experience to satisfy their wants or needs (Solomon, 2009).

Consumer behaviour is a complex, dynamic, multi-dimensional process, and all marketing decisions are based on assumptions about consumer behaviour. Marketing strategy is the game plan which the firms must adhere to, in order to outdo the competitor or the plans to achieve the desired objective. In formulating the marketing strategy, to sell the product effectively, cost-benefit analysis must be undertaken. The methods used for collecting data for consumer research includes:

Focus groups are the ultimate in consumer research. A focus group gives companies an in depth detailed view into consumers' minds and how they view and interact with the product. A focus group consists of a daylong (or even longer) meeting of demographically appropriate individuals, usually around 10 in total. A facilitator will talk with consumers, have them interact with the product, ask questions and get feedback regarding the product. The whole focus group is

usually observed and recorded by company executives who view the proceedings behind a two way mirror. Companies typically hold focus groups when researching a new product.

Call Centers

Call centers are another less obvious method for customer research. Call centres are the source for all things related to the company. A customer may call to find out information, report a product problem or get tech support. Almost all calls from call centres are recorded. The calls are sorted and categorized by type and this gives companies a good idea of what customers are saying. For example if the call centre is being bombarded with calls regarding how to use a new product then the company knows that the instructions for the new product are inadequate. Companies monitor call centre activity and relay information back to the appropriate divisions in their firm.

User Opinion Surveys

User opinion surveys are found inside retail outlets, on the company website and sometimes mailed out as questionnaires to customers on the company mailing list. This method allows customers to anonymously submit their opinions to the company in writing. Often there will be specific questions regarding satisfaction of products and customer service. These surveys are then gathered and analyzed by the marketing department and changes are made based on the responses of consumers.

Website Metrics

Most companies have a website and a website can provide a lot of information about its visitors to a company. Most websites are tied to a tool that analyzes their traffic, one free tool that does this is Google Analytics. These tools provide information about the site's visitors and their behaviour. For example most website performance metric tools allow companies to see, where in the world visitors are coming from, what content is most popular, where visitors go on their website and how this links to current promotions and sales.

3rd Party Research

There are many third party research companies that provide very valuable

consumer research data to companies. These companies usually compile very large industry based surveys that would be too time consuming and costly for a single company to do. The market research company can afford to do this because it sells the final report to all the companies in that industry. These reports are usually very in depth and involve a wide range of demographic information and customer feedback. The report is also not biased because it does not favor a particular company or brand.

Launching a business can be an exciting time and there's lots to think about. However, it's important to keep your feet on the ground and to focus on the essentials. For example, consumer research is a must when you're setting up a new enterprise.

If you've never undertaken research like this before, it may sound expensive and difficult. However, by getting specialists on board, like SUNPAC International, you can ensure the process is efficient, cost-effective, and above all easy.

Meanwhile, here are just some of the ways in which your fledgling firm could benefit from thorough consumer research.

Establish viability

Even the best business ideas can fail if conditions aren't right. The fact is, no matter how good your idea for a product or service is, the world has to be ready for it and there must be a gap in the market. This is one reason why consumer research is so important. It gives you a chance to see whether real people would be prepared to hand over their hard-earned money for your offerings.

Getting negative feedback at this stage can be disappointing, but it may save you cold, hard cash – and lots of it. After all, it may prevent you from making the potentially costly mistake of launching a business based on an idea that is doomed to fail.

Identify your target market

Consumer research can also help you to identify your market. By finding out exactly who is interested in your products, what makes them tick and how

much they are willing to spend, you will be in a better position to tailor your brand and to establish the precise direction you want to move in.

Hone your product

Finding out what people think about your goods will also help you to hone them. You can get feedback on the aspects of your products people like best and what they would want you to change. In turn, you can use this valuable information to tweak your offerings to perfection. This should help you to sell your goods once you launch them for real. Ultimately, this is good news for your bottom line.

Not just a one-off

Of course, consumer research shouldn't be seen simply as a one-off activity. As well as proving invaluable to start-ups, this type of intelligence gathering plays an important ongoing role in established companies. You can use it to get feedback whenever you change your products or introduce new ones, and this research can help you to stay up-to-date with the latest consumer trends and tastes.

It's now easier than ever to conduct consumer research, and doing so could help you to get your budding business off to the best possible start.

1.6   CHECK YOUR PROGRESS

Q 1. Discuss why an understanding of consumer needs is important for marketing strategy.

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Q2.   Explain specific ways in which an understanding of needs can be used to influence consumers. Provide an example to illustrate your answers

_____

_____

_____

Q3. Explain the concept and importance of consumer research.

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_____

_____

1.7 GLOSSARY

- **Customer Needs:** A need is a desire that causes a customer to buy a product. If customers buy products to satisfy needs, then needs provoke customers to buy products. But this definition is vague; it doesn't give any direction to product teams or market researchers on how to understand what customers want.

- **Customer Focus:** paying great attention to the needs and opinions of customers

- **Consumer Focused Marketing:** Customer focused marketing is the process of determining customer needs and wants in order to drive the working force behind the company's products or services. Managers in the company must determine key factors about its customers in order to steer its marketing approach.

- **Customer Needs Assessment:** A needs assessment is a systematic process for determining and addressing needs, or "gaps" between current conditions and desired conditions or "wants". The discrepancy between the current condition and wanted condition must be measured to appropriately identify the need.

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CONSUMER BEHAVIOUR AND MARKETING MANAGEMENT

STRUCTURE

2.1   Introduction

2.2   Objectives

2.3   Consumer Behaviour and Marketing Management

     2.3.1   Consumer Behaviour and Marketing Strategies

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     2.3.3   Consumer Behaviour and Product Positioning

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     2.4.4   Social Shift – From Growth to Monetisation

     2.4.5   Video Shift -From Programmed to User-Driven

     2.4.6   Retail Shift -from Channel to Experience

2.5   Trends that will decide the Consumer Behaviour

2.1   INTRODUCTION

Consumer is the key factor for any business activity and it is significant to study the behaviour of consumer. In any marketing activity, consumer plays a significant role, as it is only the consumer, which finally decides the output of all marketing strategy for a particular company. If a customer is ready to buy a particular product after convincing from the promotional tools by the company then it is positive for the company and those who do not buy are also equally important for the company. That is why customer is the premier element for any company and companies give proper priority to their taste and desire.

Consumers are those who consume or buy the products on daily basis according to their needs, preference and purchasing capacity. Although there are many factors which dominant the consumer for buying any product including purchasing capacity, age, gender, social and cultural backgrounds etc. There are many factors, which directly or indirectly affect the mindset of consumers before taking the decision to buy or not buy the particular product. Thus, for any company which is planning to launch a new product in market, it must study the common

behaviour of the consumer which is crucial for its business activity. Such behaviour of consumer is crucial in deciding their suitability for any product of a company. The basic behaviour of the consumer plays crucial role in their decision making process in acquiring, evaluating and disposing of any products. If a particular consumer is accustomed to buy a product then certainly its continuity must be live for future. But if a group of consumer is not ready to buy particular products then certainly efforts should be made to convince them by certain marketing tool for the products.

Companies should abstain from selling attitude to make consumer. Selling attitude has nothing to do with the post sell situations but if you want to make them a permanent consumer for your product, then certainly you should follow marketing way. Marketing way of selling lasted for long time, as there has been a relationship with the brand and the consumer. Companies keep watch on post purchase behaviour and try its best to maintaining a good and ever last relationship with such a consumer.

However, studying of consumer behaviour is a complex process and before taking any final decision, companies should asses their mindset with details. Any haste in assessing their mindset during making marketing strategy can badly affect the company interests in the long run. During the formulating of marketing strategy of company, experts should concentrate on study of the consumer behaviour and its change. Planning should be made on the basis of solid reason so that the output found can encourage the company interests.

Therefore, Marketing analysis, segmentation, consumer decision process etc are the factors which must be given proper heed during formulating a marketing strategy as these factors plays vital role in deciding the behaviour of consumer.

2.2 OBJECTIVES

After reading this lesson you would be able:
- To understand the relationship between consumer behaviour and marketing management.
- To know about the recent trends in consumer behaviour.

2.3 CONSUMER BEHAVIOUR AND MARKETING MANAGEMENT

The basic belief of marketing-oriented company is that the customer is the hub around which the business revolves. Therefore, understanding what makes people in general buy and what makes your customer in particular buy is a vital part of business success. Market itself means – customer, around whom all marketing strategies are formulated and implemented. In order to meet competition at the market place, the marketing managers are using various methods to add value to the final product which will reach the hands of the consumers. It means in ever changing marketing environment, there is a growing concern or awareness among marketers to go for a careful study of the consumer behaviour around which all marketing activities are made.

Marketing is so much more than creating a catchy phrase or a jingle people will sing for days. Understanding consumer behaviour is a vital aspect of marketing. Consumer behaviour is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. It is critical to understand consumer behaviour to know how potential customers will respond to a new product or service. It also helps companies identify opportunities that are not currently met.

A recent example of a change in consumer behaviour is the eating habits of consumers that dramatically increased the demand for gluten-free (GF) products. The companies that monitored the change in eating patterns of consumers created GF products to fill a void in the marketplace. However, many companies did not monitor consumer behaviour and were left behind in releasing GF products. Understanding consumer behaviour allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants.

2.3.1 Consumer Behaviour and Marketing Strategies

Understanding the consumer behaviour is the basic for marketing strategy formulation. Consumers' reaction to this strategy determines the organization success or failure. In this competitive environment Organisations can survive

only by offering more customer value - difference between all the benefits derived from a total product and all the costs of acquiring those benefits - than competitors. Providing superior customer value requires the organisation to do a better job of anticipating and reacting to the customer needs than the competitor. Marketing strategy is basically the answer to the question: How will company provide superior customer value to its target market? The answer to this question requires formulation of marketing - mix – product, price, place and promotion - strategies. The right combination of these elements meets customer expectation and provides customer value. For example, marketer of a bike must know the customers performance expectations, desired service, Price willing to pay, information he seeks and after-sales service to provide superior customer value.

2.3.2   Consumer Behaviour and Market Segmentation

The most important marketing decision a firm makes is the selection of one or more segments to focus their marketing effort. Marketers do not create segments but they find it in the market place. Market segmentation is the study of market place in order to discover viable group of consumers who are homogeneous in their approach in selecting and using goods or services. Since market segment has unique needs, a firm that develops a product focusing solely on the needs of that segment will be able to meet the target group desire and provides more customer value than competitor. For example, right segment for femina'magazine is educated urban women. The success of this magazine depends on their understanding of the urban woman.

2.3.3   Consumer Behaviour and Product Positioning

Product positioning is placing the product, service, company, or shop in the mind of consumer or target group. Through positioning marketers seek the right fit between a product and desired customer benefits. The right positioning means understanding the consumer perception process in general and perception of company's product in particular. For example, Samsung brand is perceived as premium brand by few customers and value-driven brand by others in the market, but marketer must find out what makes their target market to perceive differently and position it accordingly.

2.3.4 Consumer Behaviour and Marketing Research

Studying consumer behaviour enables marketing researchers to predict how consumers will react to promotional messages and to understand why they make the purchase decision they do. Marketers realised that if they know more about the consumer decision making criteria, they can design marketing strategies and promotional messages that will influence consumers more effectively. The importance of consumer behaviour made marketers to think of a separate branch in marketing research - Consumer research, to deal exclusively for consumer related issues. The current focus of consumer research is on study of underlying needs and motives in taking purchase decisions, consumer learning process and attitude formation process.

2.3.5 Consumer Behaviour and Non-Profit and Societal Marketing

A sound knowledge of consumer behaviour can help the organisations that sell ideas and concepts of social relevance. Institutions that promote family planning, AIDS free society, governmental agencies, religion orders and universities also appeal to the public for their support in order to satisfy some want or need in society. The knowledge about potential contributors, what motivate their generosity, how these motives can be effectively appealed is useful for the organizations involved in these activities.

2.3.6 Consumer Behaviour and Governmental Decision Making

To major areas where consumer behaviour study helps government is in policy making on various services, and in designing consumer protection legislation. The knowledge of people's attitudes, beliefs, perceptions and habits provides adequate understanding of consumers.

2.3.7 Factors Affecting Consumer Behaviour

To fully understand how consumer behaviour affects marketing, it's vital to understand the three factors that affect consumer behaviour: psychological, personal, and social.

1. Psychological Factors

In daily life, consumers are being affected by many issues that are unique to their thought process. Psychological factors can include perception of a need or

situation, the person's ability to learn or understand information, and an individual's attitude. Each person will respond to a marketing message based on their perceptions and attitudes. Therefore, marketers must take these psychological factors into account when creating campaigns, ensuring that their campaign will appeal to their target audience.

2.   Personal Factors

Personal factors are characteristics that are specific to a person and may not relate to other people within the same group. These characteristics may include how a person makes decisions, their unique habits and interests, and opinions. When considering personal factors, decisions are also influenced by age, gender, background, culture, and other personal issues.

For example, an older person will likely exhibit different consumer behaviour than a younger person, meaning they will choose products differently and spend their money on items that may not interest a younger generation.

3.   Social Factors

The third factor that has a significant impact on consumer behaviour is social characteristics. Social influencers are quite diverse and can include a person's family, social interaction, work or school communities, or any group of people a person affiliates with. It can also include a person's social class, which involves income, living conditions, and education level. The social factors are very diverse and can be difficult to analyse when developing marketing plans.

However, it is critical to consider the social factors in consumer behaviour, as they greatly influence how people respond to marketing messages and make purchasing decisions. For example, how using a famous spokesperson can influence buyers.

2.4   RECENT TRENDS IN CONSUMER BEHAVIOUR

The modern era is a digital revolution of the market place allows different types of products, services and promotional messages than older marketing tools. Digital marketing will helps the companies to collect and analyze the data on consumers buying patterns and their personal characteristics. Further, the 'Make

in India' programme of government also affect the consumer behaviour. Now a day's consumer will be more aware than even before because they can use many different intelligent agents like social media, internet, friends etc. They can easily locate the best price of product or service, bid on various discount schemes by passing different outlets and shop for goods around the world. By identifying and understanding the factors that influence their customers, brands have the opportunity to develop a strategy, a marketing message (Unique Value Proposition) and different advertising in line which will give the different ways of thinking to the customers. According to their needs and wants the goods will be prepare for the consumer.

If we talk about McKinsey's research that will talking about leaders in telecoms, media, and

Technology (TMT) sectors tracks the different cross-device behaviours of thousands of consumers every year in both developed and emerging markets around the globe Findings from the fifth and most recent year of research highlight six major ongoing consumer trends that are will tell us how the trends will shifting?

2.4.1 Device Shift – From PCs to Mobile/Touch Devices

Smart phones are fast becoming changing trends in India, with penetration of about 684 million users in India. If we talk about the figure of 2013 it was 524 million users in India. Mobile phones and tablets now account for around 44 percent of all personal computing time, having nearly doubled since 2008. Most device manufacturers and their major retail partners are already experiencing the implications of this shift.

2.4.2   Communications Shift – From Voice to Data and Video

E-mail and telephonic voice have increased from over 55 percent to about 85 percent of the telecoms sector while time spent on social networks has doubled to take over a quarter of all user communications time and when consumers do use their phones, only about 20 percent of the time is for talking because they will spend more time on social networking sites. The majority is used for more data-centric activities such as streaming music, browsing Web sites, and playing

games. Mainly in present era consumers will go more data and video than voice because Reliance will also introduce a 4G in India so that will also give some kind of help to the consumer.

2.4.3 Content Shift – from Bundled to Fragmented

We have a great thankful to powerful search tools, the long tail of media and content which have been include materials like text, video, classified, product for sale etc. if we talking about the traditional method like bundles (newspapers, network TV stations, or big box retailers etc) has been eroded. The way mobile phones are used illustrates this well. The number of apps installed (typically for a specific, single purpose) has doubled to over 30 per phone from 2008 to 2012. Spending on these apps is, however, highly fragmented, and growth potential remains very uncertain. It will easily clarify that the consumer will more aware regarding their beneficial apps as well as products.

2.4.4 Social Shift – From Growth to Monetisation

Social networking sites represent a quarter of all internet time (up 10 percentage points since 2008) and reaches over 75 percent of all internet users. It is the first time when we have seen small declines in both total audience and level of engagement in developed economies. It is a Remarkably fast climb to maturity, given that major sites in the markets like Facebook, LinkedIn, and Twitter have yet to enjoying their tenth birthdays. Face book and LinkedIn now face the quarterly earning pressures of the public markets as well. At the same time, businesses of all shapes and sizes are actively trying to use social media as part of their marketing efforts.

2.4.5 Video Shift -From Programmed to User-Driven.

Traditional live, linear television consumption remains relatively flat on an absolute basis, but has slipped on a relative basis. It now represents just 65 percent of all video viewing for US consumers on their television screens and 52 percent across all screens. If we talk about 10 years back VCR/DVD was used to watching video on TV and now over-the-top Internet video services such as Netflix-makes up much of the balance. The entertainment also shifts from TV to PC's and then now it will be the time of smart phones.

2.4.6   Retail Shift from Channel to Experience

Despite its tremendous growth and transformation of the retail landscape, e-commerce only accounts for about 5 percent of all retail sales. About half of all smart phone owners now use their devices for retail research – and although only few today, significantly more consumers will soon be using smart phones and tablets to complete their transaction as well. The combination of mobile retail and different multichannel have a great transformative effect on retail business and creating a new era of retail 3.0.

2.5   TRENDS THAT WILL DECIDE THE CONSUMER BEHAVIOUR

2.5.1   Multiplicity

We have many options to increase our expectation to do more that interacting with all our sensors. There is a growing desire for multiplicity and past experiences are expected to offer more for us. It is no longer time to immerse the viewer in an experience and people are rejecting because of idea of passive on looking.

We are increasingly expecting things to do more that involves interacting with all our senses, offers us a range of touch points to play with, and involves us entirely in new experiences.

There is a growing desire for multiplicity and experiences are expected to offer more. We've grown used to sensory experiences being enhanced, but now we're seeing the clashing, blurring and even confusing of senses. The same is happening in storytelling - rather than just one story, we are seeing powerful story worlds with multiple strands of narrative on multiple platforms, allowing the various threads to permeate viewer's lives. It is no longer enough to immerse the viewer in an experience, and people are rejecting the idea of passive on-looking. They are now craving active participation.

2.5.2   New Industrial Revolution.

The new revolution is good for industry. But it is also good for all of us if they use the proper technology to create a new ways leading to new appreciation

of the digital as a thing of beauty. The use of science is no longer just for experts. Coding has gone fully mainstream, and the rise of 3d printing is hailing a new era for industry.

Science is no longer a closed world, just for geeks. Digital and technological advances are enabling us to create in new ways-leading to new creative forms and helping us see a new appreciation of the digital as a thing of beauty.

This use of science is no longer just for experts. We are in the midst of a new form of industrial revolution where technological advances are enabling people to make the transition from users to creators. We're seeing a new appreciation of the digital as a source of inspiration and the means to create are now in the hands of everyone. Coding has gone fully mainstream, and the rise of 3D printing is hailing a new era for industry. Soon everyone will be a manufacturer, able to create what they want, when they want it.

2.5.3 Escape

It this world of austerity and responsibility, we have many desires to choose and indulge in childlike freedom joy. People are demanding more from every type of experience.

People are seeking occasions that allow them to let go of all responsibilities and inhibitions, and embrace outlandish hedonism.

In a world of austerity and grown up responsibility, we are seeing the increasing desire to let go, to let loose and indulge in childlike freedom or sheer hedonistic joy.

People are demanding more from every type of experience. This can come in the form of escapism-in a time of austerity, we're seeing the desire to indulge. In a turbulent and ever more serious world, there is a craving for silliness and outright frivolity. People are seeking occasions that allow them to let go of all responsibilities and inhibitions, and embrace outlandish hedonism.

2.5.4 Mindfulness

In a world full of buzz and surface interactions, people are seeking more depth and meaning. They are craving time away from the stimulus of the internet,

making their leisure time more about self-development, and taking their own ethical responsibilities seriously.

This intensity can also come from a very different angle, in the form of mindfulness. In a world full of buzz and surface interactions, people are seeking more depth and meaning. Leisure is becoming as much about self-development as pleasure-seeking, and there is a growing sense of earnestness, consideration and thoughtfulness. People are craving time away from the stimulus of the internet, and are severing their connection to technology. People are also becoming increasingly aware of the ethical impact of their everyday lives. They are encouraged to think about-and take responsibility for—the ethical status of the things they do, buy and support.

2.5.5 Super-personalised

Personalisation has been taken out of the hands and tastes of consumers. This is not just bespoke you select it is also bespoke that selects you. Advances in technology mean that products are able to read consumers and give them what they want -sometimes without even being asked.

The cultural shifts we are witnessing show a move towards the wholehearted and intense. People want all aspects of their lives to be rich and full. These trends give us a clear sense of where culture is heading, and brands this year will have to work hard to meet consumers' demands and expectations. Nothing should be done by halves.

On Marketing is our home for articles written by people who aren't regular CMO Network contributors with their own pages. It's a forum for thinkers and doers in the areas of marketing, advertising and media to share content that matter to CMOs.

2.5.6 Hyper Efficiency

We are seeking and discovering ever-smarter and more efficient ways to solve age old issues-such as keeping fit, lack of space and limited resources. The results are sleeker, quicker and use things that have previously been ignored.

This sense of intensity is also reflected in the desire for super-charged forms of efficiency. From health to homes, people are using every last bit of

space and time. High-impact, superfast diets and fitness plans are gaining popularity and with space at more of a premium than ever-people are seeking smart ways to integrate a range of functions into one property. With a growing awareness of how limited resources are, innovations are creating valuable assets out of the otherwise unused, and a new wave of so- called "serious games" and collaborative digital platforms are smartly mobilizing our collective intelligence and imagination.

2.5.7 Recent Strategies Adopted by Marketers to Influence the Indian Consumer's Buying Behaviour

1. **Online Shopping:** is a process whereby consumers directly buy goods and services from the seller over internet without any intermediary service. It has been seen that Indian consumers are buying most of their products through online shopping these days. Therefore, the most suitable strategy for the marketers today is internet marketing. Some of the very popular online shopping sites in India are www.snapdeal.com, www.myntra.com, www.ebay.com.

2. **Celebrity Endorsement:** is an advertising campaign involving a well known person to promote a product or service, it is an important tool being used by the marketers to influence the Indian consumer's buying behaviour. With the visual media becoming more popular the use of celebrities in advertisements on television has increased. When consumers see their favourite celebrities using any products in advertisements, they pay more attention to them and are greatly influenced to buy the same products.

3. **Well Established Retail Outlets:** Indian consumers feel that price is an indicator of good quality products. Therefore, they look for expensive branded products. However, in case of few products there are no well known brands, hear consumers prefer to buy such goods from well established outlets hoping to get quality goods. Therefore, marketers of such goods display and sell their products through these well established outlets.

4. **Freebies:** Freebies are consumer goods given free of cost as gifts for purchasing selected products above a certain value. Televisions, refrigerators, washing machines, toiletries and food items are some of product categories in which freebies are mostly given in the Indian market.

5. **Eco friendly Products:** are products that do not harm the environment in their production, use and disposal. Indian consumers are becoming environmentally responsible; they prefer buying eco-friendly products. Marketers of consumer goods should select ethical and environmentally responsible products and packaging methods. This will help them to keep a balance between environmental concerns and commercial considerations.

2.6   LET US SUM UP

The main purpose behind marketing a product is to satisfy demands and wants of the Consumers. Study of consumer behaviour helps to achieve this purpose. Consumer behaviour is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. Understanding consumer behaviour allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants.

The consumers are more aware because of changing trends in digital market and will aware from many different ways like social networking sites, experiences new things, more advance technology that will easily helpful for consumer to know the exact price of product which will creating a big issues for companies. Changing trends will always beneficial for consumer because the trends will lead to more competition in the market which will give extra advantage to the consumer as well. For example Reliance Jio will introduce 4G at very cheapest price that will change the trends in market for the telecom, internet sector.

In recent years, the Indian consumer's pattern of spending their earnings has changed. There are various factors which are bringing changes in the buying behaviour of present day consumer, which include: urbanisation, changing lifestyle, increased consumer awareness, rising disposable income, changing

demographics, penetration of social media and internet etc. This change in buying behaviour of consumers has led to a great challenge for the survival and growth of business organisations producing consumer goods. Consumer behaviour is a complex, dynamic and multi-dimensional process. The recent trends in the Indian market applicable among consumers are online.

Consumer behaviour is a complex, dynamic, multidimensional process, and all marketing decisions are based on assumptions about consumer behaviour. Therefore, marketing strategies related to consumer behaviour are made to beat cut throat competition in global context. In modern times, prediction of consumer behaviour is much essential for prosperity of the business. Its prediction and strategy formulation is a challenge for the management of any business organization. Only those organisations which formulate and implement consumer oriented marketing strategies, can survive in global competitive era. From the market perspective, people of India comprise different segments of consumers, based on class, status, and income. An important and recent development in India's consumerism is the emergence of the rural market and market for eco-friendly products for several consumer goods. Three-fourths of India's population lives in rural areas, and contribute one-third of the national income so it should not be avoided. India is a lucrative market even though the per capita income in India is low and it remains a huge market, even for costly products. The retailers should spend on online marketing during recession. They should also indulge in cost cutting, reach their customers, target markets, build long term relationships, available at all hours, low cost for inventory, and increase sales promotion schemes. Lastly, creating value along with delivering delight to the customer is what is most important. We live in a digital age and thus need to keep up with new trends in the social media. The Internet has become the first medium in history to allow for complex interaction between networks of people via Face book, YouTube and many other social networking sites.

2.7 CHECK YOUR PROGRESS

Q1. Why it is important for marketers to understand the consumer decision making process?

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Q2. Discuss some recent trends in the study of consumer behaviour.

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Q3. Explain in detail the relationship between consumer behaviour and marketing management.

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2.8   GLOSSARY

- **Aspirational reference group:** Group that we admire and desire to be like.

- **Associative reference group:** Group to which we currently belong.

- **Brand alliance:** A marketing strategy in which two companies' brand names are presented together on a single product.

- **Brand extension:** A marketing strategy in which a firm that markets a product with a well-developed image uses the same brand name but in a different product category.

- **Brand personality:** The set of associations that reflect the personification of the brand.

2.9   SUGGESTED READINGS

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CONSUMER BEHAVIOUR MODELS

STRUCTURE

3.1   Introduction

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3.3   Traditional and Contemporary Consumer Behaviour Models

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3.1   INTRODUCTION

Any person engaged in the consumption process is a consumer. Consumers are the individuals who buy for personal consumption or to meet the collective needs of the family and households needs. Consumer behaviour means how individuals make decisions to spend their available resources like time, money, effort on consumption of different products and services. It includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, and how often they use it. Consumer behaviour is the actions a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions. Leon G. Schiffman and Leslie lazar Kanuk define consumer behaviour "as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products, services and ideas which they expect will satisfy their needs". It is the way an individual acts while obtaining and using goods and services. This act involves a decision process and the individual, in turn, is influenced by his personal characteristics and environmental factors. Therefore, Understanding consumer behaviour and "knowing consumers' are not that simple. It is almost impossible to predict with accuracy, how consumers will behave in a given situation. 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.

Marketers must have access to data concerning consumers, buying habits and which kinds of media they favour, in order to develop convincing communication programs.

- Who makes the buying decision?
- Who influences the buying decision?
- What motivates the buyers and people to take action?

Overall the models of consumer buying behaviour can be categorised into two broad categories. These are: Traditional models, viz., *Economic model*- which focuses on the idea that a consumer's buying pattern is based on getting the most benefits while minimising costs. Thus, one can predict consumer behaviour based on economic indicators such as the consumer's purchasing power and the price of competitive products. For instance, a consumer will buy a similar product that is being offered at a lower price to maximize the benefits; an increase in a consumer's purchasing power will allow him to increase the quantity of the products he is purchasing; *Learning model*: It is based on the idea that consumer behaviour is governed by the need to satisfy basic and learned needs. Basic needs include food, clothing and shelter, while learned needs include fear and guilt. Thus, a consumer will have a tendency to buy things that will since piece of jewellery to buy some food, but will later go back to purchase the jewellery once her hunger is satisfied. *Psychoanalytic model:* The psychoanalytical model takes into consideration the fact that consumer behaviour is influenced by both the conscious and the subconscious mind. The three levels of consciousness discussed by Sigmund Freud (id, ego and superego) all work to influence one's buying decisions and behaviours. A hidden symbol in a company's name or logo may have an effect on a person's subconscious mind and may influence him to buy that product instead of a similar product from another company. *Sociological model*: The sociological model primarily considers the idea that a consumer's buying pattern is based on his role and influence in the society. A consumer's behaviour may also be influenced by the people she associates with and the

culture that her society exhibits. For instance, a manager and an employee may have different buying behaviours given their respective roles in the company they work for, but if they live in the same community or attend the same church, they may buy products from the same company or brand.

II.   Contemporary models

- Howard-Sheth Model

- Engel-Kollat-Blackwell Model

- Nicosia Model

- Stimulus-Response Model

Therefore, a consumer's behaviour varies owing to many factors that influence them. Consumer behaviour models have been developed to substantiate the various factors that influence consumer behaviour and their decision making process. There are various consumer behaviour models which help in the understanding of their behaviour.

3.2   OBJECTIVES

After reading this lesson you would be able:

- To know about the various consumer behaviour models.

- To examine various factors affecting consumer behaviour.

- To differentiate between three important models of consumer behaviour

3.3   TRADITIONAL AND CONTEMPORARY CONSUMER BEHAVIOUR MODELS

3.3.1 Economic Model

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximising his gains. Economic 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. Thus, price is not the only factor influencing decision-making and the economic model according to scientists have shortcomings.

3.3.2 Psychological Model

Psychologists have been investigating the causes which lead to purchases and decision-making. This has been answered by A.H. Maslow in his hierarchy of needs. The 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. The purchasing process and behaviour is governed by motivational forces. 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.

3.3.3 Pavlovian Learning Model

This model is named 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. The learning process consists of the following factors:

- Drive: This is a strong internal stimuli which impels action. Because of the drive, a person is stimulated to action to fulfil his desires.
- Drives: Can be innate (in-born) which stem from physiological needs, such as hunger, thirst, pain, cold, etc.

- Learned drive: such as striving for status or social approval. Cause is weak stimuli that determine when the buyer will respond. We have: (a) Triggering Cues: These activate the decision process for any purchase. (b) Non-triggering Cues: These influence the decision process but do not activate it. These are of two kinds:

1. Product cues are external stimuli received from the product directly, e.g., colour of package, weight, style, price, etc.

2. Informational cues are external stimuli which provide information about the product, like advertisement, sales promotion, talking to other people, suggestions of sales personnel, etc.

- Response is what the buyer does, i.e., buy 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 as 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.

3.3.4 Input, Process and Output Model

This is a simple model of consumer behaviour, in which the input for the customer is the firm's marketing effort (the product, price, promotion and place) and the social environment. The social environment consists of the family, reference groups, culture, social class, etc. which influences the decision-making process. Both these factors together constitute the input in the mind of the consumer. Need recognition: when one is aware of a want, tension is created and one chooses a product to satisfy his needs. There is also a possibility that a person may be aware of a product before its need is recognised. This is indicated by the arrows going both ways from the need to the product and vice-versa.

Product awareness Product awareness can be had from advertisement or

exposure to different types of media or by the social circle. The awareness and the need lead to the building of interest. In some cases, the interest may also breakdown and, the decision process also stops or may be postponed for the time being. Evaluation may consist of getting more information about the product and comparing and contrasting it with other products. This can be done theoretically or by taking a trial. Once the evaluation is completed, the consumer's interest may either build up and he has intentions to buy, or he may lose interest and the decision process may again stop or be postponed. Once there is intention to purchase the product, the consumer goes ahead and acts or purchases the product. Once the product is purchased, it is used to fulfil the need and, the more the product is used, the more the consumer becomes aware of the positive and negative points of the product.

Post-purchase behaviour If, after the purchase and use of the product the customer is satisfied, he is happy and goes in for repeat purchases or recommends the same to his friends and acquaintances. If, however, the customer is dissatisfied, he discontinues further purchase of the product and builds a negative attitude towards it, which may be harmful to the company. The post-purchase behaviour is very important for the marketer and the company because it leads to proper feedback for improvement and maintaining the quality and features desired by the product. If the customer is very happy with the purchase, he forms a good impression about the product and the company.

3.3.5 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. His buying behaviour is influenced by these groups. 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.

3.3.6 Model of Family Decision-making

In a family decision-making model, it is important to understand how the

family members interact with each other in the context of their consumer decision-making. There are different consumption roles played by various members of the family. These roles are as follows:

(i) **Influencers:** The members who influence the purchase of the product by providing information to the family members, the son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.

(ii) **Gate keepers:** These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product which they do not favour.

(iii) **Deciders:** These are the people who have the power or, money and authority to buy. They play a major role in deciding which product to buy.

(iv) **Buyers are the people who actually buy.** A mother buying ration for the house etc. Father buying crayons for his children.

Preparers: Those who prepare the product in the form it is actually consumed. Mother preparing food by adding ingredients to the raw vegetable. Frying an egg for consumption, sewing clothes for the family, etc. User: The person who actually uses or consumes the product. The product can be consumed individually or jointly by all members of the family. Use of car by the family, use of refrigerator, TV, etc. The roles that the family members play are different from product to product. Some products do not involve the influence of family members-vegetables bought by the housewife. She can play many roles of a decider, preparer as well as the user. In limited problem solving or extensive problem solving there is usually a joint decision by family members. The diagram shows the predisposition of various family members, which when influenced by other factors leads to joint or individual decisions**.**

3.3.7 A Model of Industrial Buyer Behaviour

The purchases made in an industrial organisation involve many more

people of different backgrounds and it is more complex. There are three main features in this model: 1. There are different individuals involved who have a different psychological makeup. 2. Conditions leading to joint decision-making by these individuals. 3. Differences of opinion on purchases or conflicts that have to be resolved to reach a decision.

The persons involved in the decision-making are from quality control, manufacturing, finance, research and development and other possible areas. These may be named as purchase agents, engineers, and users, as referred to in the model. These constitute a purchasing committee. They have: (1a) Different backgrounds (1b) Different information sources (1c) Undertake active search (1d) they have perceptual distortion (1e) Satisfaction with past purchase. With these characteristics, they develop certain expectations from the product to be bought. The obvious ones are product quality, delivery time, quantity of supply, after sales service and price. These are known as explicit objectives. There are other objectives as well, which are the reputation of the supplier, credit terms, location of the supplier, relationship with the supplier, technical competence and even the personality, skill and lifestyle of the salesman. These are known as implicit objectives. Different individuals in the purchasing committee give emphasis on different aspects of the product. Engineers look for quality and standardisation of the product. Users think of timely delivery, proper installation and after sales service. Finance people look for maximum price advantage. Thus, there are conflicting interests and view that have to be resolved. If autonomous decisions are made, this issue do not surface. There are conditions leading to autonomous or joint decisions.

Product specific factors

Perceived risk: With higher risks joint decisions are favoured. Type of purchase: Items involving heavy investments are made jointly, routine and less costly decisions can be made independently.

Time pressure: If goods are urgently required, individual decisions are favoured. (2b) Company specific factors Size of the organisation: Larger the size of the organisation, the more the emphasis laid on joint decision.

Organisation orientation: In a manufacturing organisation, the purchases are dominated by production personnel and in a technology oriented organisation, the decisions are based on engineers. (3) The conflict that arises for buying decision has to be resolved.

The resolution can be done by: (a) Problem solving (b) Persuasion (c) Bargaining (d) Politicking. The fourth aspect is the influence of situational factors which must be considered. These are economic conditions such as inflation, recession or boom, price contracts, rationing foreign trade, strikes or lock outs. Organisational change such as a merger, acquisition change of key personnel, etc. Sometimes these factors outweigh the realistic criteria of decision-making. This model explains how purchase decision are made in an industrial organisation. All the models discussed in this chapter give us an idea of the buying behaviour in diverse situations. An understanding of these models gives the marketer clues to formulate his strategies according to the target audience, e.g., an individual, a family or an industry, etc.

The other contemporary models of consumer behaviour, viz., Howard Sheth Model, Engel Kollat Black Well Model and Nicosia Model are discussed in detail as under.

3.4   HOWARD SHETH MODEL

Utilising the learning theory thoroughly and systematically, John Howard came out with the first truly integrative model of buyer behaviour. He was the first to introduce the difference between problem solving behaviour (similar to rational. behaviour of the economic theory), limited problem solving and automatic response behaviour. A more meaningful elaboration was provided in the publication of "The Theory of Buyer Behaviour" in 1969 by Howard and Sheth: More variables impinging upon the behaviour of the consumer were included and the connection between them was clarified with noteworthy precision, making this model an important landmark in the development of the theory of buyer, behaviour. A simplified version and description of the model is furnished below (see Figure 3.1 below).

Howard Sheth Model is one of the most objectively constructed

contemporary models of consumer behaviour. It is an attempt to explain rational brand choice behaviour within the constraints of limited individual capacities and incomplete information. The model attempts to deal with both overt behaviour and internal or cognitive behaviour that cannot be directly observed.
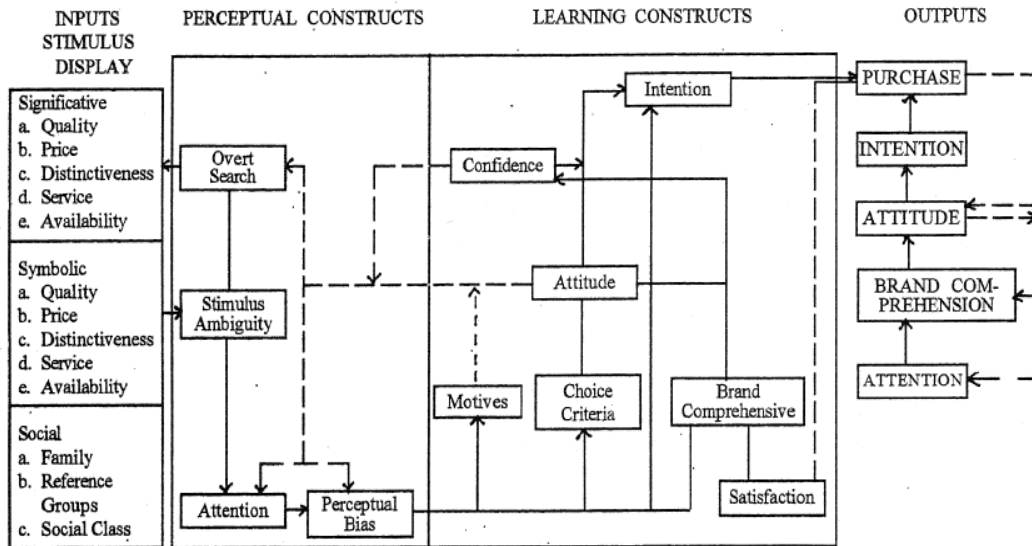
(Source: John A Howard, Jagdish Sheth. The Theory of Buyer Behaviour, John Wiley, 1969)

Figure 3.1: Simplified Description of the Howard-Sheth Model

The model distinguishes among three levels of learning (i.e., stages of decision making).

1. **Extensive Problem Solving:** Extensive problem solving takes place when the consumer's knowledge and benefits about brands are very limited or nonexistent, and he does not have specific brand preference. Here the consumer actively seeks information concerning a number of alternative brands.

2. **Limited Problem Solving:** Limited problem solving takes place when the consumer's knowledge and beliefs about brands are only partially established and he is not fully able to access brand differences in order to

arrive at a preference. Some comparative information is sought although the decision criteria are likely to be fairly well defined.

3.　　**Reutilised Response Behaviour:** Reutilised response behaviour occurs when the consumer's knowledge and beliefs about the brand and its alternatives are well established and the consumer is predisposed to the purchase of one particular brand.

The model is essentially an attempt to explain brand choice behaviour over time and therefore especially pertinent to our field. Focussing on repeat buying, the model relies on four major components-stimulus inputs, hypothetical constructs, response outputs and exogenous variables. It is one of the most comprehensive models of consumer buying behaviour and it uses the concept of stimulus-response in order to explain buyer's brand choice behaviour over a period of time. These variables are briefly described below.

3.4.1　Input variables

The input variables are the stimuli come from the environment. These variables consist of informational cues about the attributes of a product or brand (i.e. quality, price, distinctiveness, service and availability). Significant Stimuli's are the actual elements constituting a brand that the buyer confronts, e.g., price, quality, service, availability. They influence the consumer directly through the brand's attributes. Symbolic stimulies are created by manufacturer representation of their products in symbolic form, e.g., advertisement, publicity. These symbolic sues represent the efforts of the firm to build and project these values in the product They derive from the same factors as they are portrayed in the mass media and by salespeople, influencing the consumer in an indirect way. Thus, informational cues may be significant in that they may emanate from the product itself or they may be symbolic in that they come from impersonal sources like advertising or promotional activities by the firm. Social stimulies are created by the social environment, e.g., reference group, social classes. These are influences that are internalised by the consumer before they can affect the decision process. This source is not only non-commercial and non-controllable by the firm, it is also a personal source of information input. A third set of informational cues

may come from the buyer's social environment, comprising of his family, reference groups, social class, culture etc.

3.4.2 Output Variables

The five output variables in the right hand portion of the model are buyer's observable responses to stimulus inputs. They are arranged in order from Attention to Actual Purchase. The purchase is the actual, overt act of buying and is the sequential result of the attention (buyers total response to information intake), the brand comprehension, brand attitude (referring to the evaluation of satisfying potential of the brand) and the buyer intention (a verbal statement made in the light of the above externalising factors that the preferred brand will be bought the next time the buying is necessitated.

3.4.3 Hypothetical Constructs

The hypothetical constructs have been classified in two - the perceptual constructs and the learning constructs. The former deal with the way the individual perceives and responds to the information from the input variables. All the information that is received may not merit 'attention' and the intake is subject to perceived uncertainty and lack of meaningfulness of information received (stimulus ambiguity). This ambiguity may lead to an overt search for information about the product. Finally, the information that is received may be, according to the buyer's own frame of reference and pre-disposition, distorted (Perceptual bias).

The learning constructs deal with the stages from the buyer motives to his satisfaction in a buying situation. The purchase intention (as is clear from the figure) is an outcome of the interplay of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase decision. The motives are representative of the goals that the buyer seeks to achieve in the buying exercise; these may originate from the basis of learned needs. Impinging upon the buyer intention are also the attitudes about the existing brand alternatives in the buyer's evoked set, which result in the arrangement of an order of preference, regarding these brands: Brand comprehension "the knowledge about the existence and characteristics of those

brands which form the evoked se", and the degree of confidence that the buyer has about the brand comprehension, choice criteria and buying intentions, converge upon the intention to buy. As a feedback component of learning, the model includes another learning construct-satisfaction which refers to the post purchase evaluation and resultant reinforcing of brand comprehension, attitudes etc. (shown by broken lines in the figure).

As said earlier, the output variables consist of a set of possible hierarchical responses from attention to purchase. The purchase act is the actual, overt act of buying and is the sequential result of the attention (buyer's total response to information intake), the brand comprehension (a statement of buyer knowledge in the product class), brand attitude (referring to the evaluation of satisfying potential of the brand) and the buyer intention (a verbal statement made in the light of the above externalising factors that the preferred brand will be bought the next time the buying is necessitated).

Hypothetical constructs have been classified in two groups - perceptual constructs and learning constructs. The first deals with the way the individual perceives and responds to the information from the input variables, accounting for stimulus ambiguity and perceptual bias. The second deals with the stages from the buyer motives to his satisfaction in a buying situation. The purchase intention is an outcome of the interplay of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase decision. The motives are general or specific goals impelling to action, impinging upon the buyer intention are also the attitudes about the existing brand alternatives in the buyer's evoked set, which result in an arrangement of an order of preference regarding brands. Brand comprehension and the degree of confidence that the buyer has about it, choice criteria and buying intentions, converge upon the intention to buy

3.4.4 Exogenous Variables

The model also includes some exogenous variables which are not defined but are taken as constant. They can significantly affect buyer decisions. Some major exogenous variables included in the model are importance of purchase, personality variables, culture, social class, financial status. The model also

includes some exogenous variables which are not defined but are taken as constant. These influence all or some of the constructs explained .above and through them, the output. Some of the exogenous variables are importance of the purchase, time at the disposal of the buyer, personality traits, financial status etc.

The essential working relationships of the model are as follows.

A stimulus in one of the three categories outlined impinges upon one or more of the five senses. The amount of attention that it invokes depends upon the stimulus ambiguity which motivates a search for further information. Subject to the perceptual bias brought about the interaction of attitudes and retained motives, the information is received. These informational inputs may alter the existing configuration of motives and choice criteria and thereby modify or disturb the brand attitude, brand comprehension, Purchase intention and/or action. Whether the buying decision is actually made or not depends upon the interplay of comprehension of the brand attributes, strength of attitudes towards the brand, confidence in the purchase-decision and intention (which in turn are affected by the various exogenous variables like the Importance of purchase influence of culture and family, financial status, etc) If the purchases made the resultant satisfaction in him strengthens brand comprehension and reinforces the confidence associated with similar buying situations in figure.

3.4.5   The Choice Process as Explained by the Model

The choice process involved in virtually every consumer purchase decision has received a large amount of academic and managerial interest and attention. According to different approaches to consumer behaviour, management scientists have tried to explain, each in his own way, the exact process by which the consumer arrives at a brand choice decision. Generalised explanations of these models-of buyer behaviour have already been furnished. Here a discussion of the choice process as has been explained-by Howard and Sheth through their model of buyer behaviour is provided to give an idea of the steps the consumer undergoes, and the factors that impinge upon him, when he is making his brand choice decision. This particular model 'has been extensively used in marketing

literature as the basis for providing the background for "brand choice process because it is an integrative model incorporating most of the aspects of consumer behaviour. Moreover; the model has established a theory of consumer's brand Choice decision making behaviour that incorporates the dynamics of purchase behaviour over period of time.

The buying process is initiated by the brand choice process given that the buyer is motivated to buy a product. The basic elements of his choice decision are:

a)   A set of motives.

b)   Alternative brands.

c)   Choice criteria or evaluative criteria which he uses to evaluate the alternative brands through a process of matching the motives with the attributes of the alternative brands.

Motives usually are the initiators of any action. This is as true of buyer behaviour as of any other behaviour. In the product context, motives are relevant and sometimes specific to a product class. In order to satisfy these motives, alternative courses of action in the form of alternative (and acceptable) brand confront the consumer. There are certain brands that he would not even consider. The brands that become inputs o the choice decision are those that fall in his latitude of acceptance and are collectively known as the "evoked set" The evoked set is generally a small fraction of the number of brands that impinge upon the consumer's consciousness and even smaller fractions of the total number of brands on the market. The elements of the choice decision are virtually the same in all buying situations, but brand choice behaviour and consequently the - brand choice process is likely to differ according to whether the buyer is buying the brand or even the product for the first time, or he has had some experience of the product/brand or has had a series of experiences with the product or brand. When the buyer is buying the product or the brand for the first time, especially in the former case, he has no experience regarding the product or the brand attributes. Le also lacks well defined evaluative Criteria on which to judge the product. He would therefore actively search for information from his social and commercial

environment. The information is assimilated after passing through the filter of his own personality, his set of values, his past experience of similar need satisfaction even -though from other products etc. so that the intake is modified to his own frame of reference. When the buyer has used the product or brand for, some time, drawing upon his experience with the product or brand, the information that he has actively, sought at this stage and the product's own real and perceived attributes like price, packaging etc, he develops certain choice criteria which ;equip him to evaluate the brands available in this product class. Thus, in this product category he will select the brand which seems to have the greatest potential possibility of satisfying his set of motives for buying this product. If after, use the brand proves satisfactory, the potential of that brand in satisfying the motives increases because of favourable post-purchase evaluation. This results in the increased probability of buying this brand in future when similar; motives necessitate buying. As the series of the satisfactory-purchase sequence is repeated the consumer learns about buying in , that particular situation and tends to routinise his decision process to a certain extent. By the time the routinisation stage is reached, the buyer's evaluative criteria have become firmly established and having tested the brands on these, he has developed strong brand preferences. This brand preference results in a certain stimulus, response sequence, where the moment the need or time emotive for buying the product arises, the buying decision in the form of automatic choice of the most preferred brand is made because it-meets the evaluative criteria ideally and has positive post purchase evaluation. Since the post-purchase evaluation contributes both towards crystallisation of evaluative criteria and the learned experience of the buyer, it becomes an important input in brand choice decision. The present study also found previous usage of the brand among the important factors influencing brand choice.

3.4.6 Types of Problem Solving Behaviour

Since by the process outlined about the buyer tends to simplify his decision making behaviour; the phenomenon has been termed the psychology of simplification by Howard and Sheth. The stages through which the routinisation

is approached have already been outlined. The authors of the model taking the problem solving approach have designated these stages as:

- Extensive problem solving behaviour.
- Limited problem solving behaviour.
- Routinised response behaviour.

Extensive problem solving behaviour, corresponds to the first stage of repetitive decision making where the buyer has not yet developed strongly predispositions towards any of the brands that are being considered as alternatives, nor does he have any well defined criteria at this stage. This stage is followed by the limited problem solving stage where because of learned experience about the brands, the choice criteria have a clear definition and organisation, but the buyer is still undecided about the actual choice among the alternatives. He has a moderately favourable disposition towards some brands that fall in his latitude of acceptance (which is quite large at this stage) though this clear preference towards any brand has not yet crystallised. As repetitive choice decision continue to take place, limited problem solving matures to the routinised response behaviour. The buyer on account of the learned experience that he has had about the brand in use, has now well defined evaluative criteria and also strong pre-disposition towards one particular brand, because it matches the choice criteria ideally. As a direct outcome of the gravitating of predisposition towards one brand, the number of brands in the evoked set declines because the buyer considers only a very few brands as probable choices.

The whole exercise of choice process is an exercise in simplifying the environment. This has interesting implications for the buyer's need for information during various stages of the choice process. The farther the buyer moves along the simplification goal the lesser becomes his tendency towards active search for information. This fact has also been borne out by our present study. As discussed later in the section on factors affecting brand choice decisions of the respondent, it was found that, advertising, though a relatively unimportant factor affecting brand selection, has a still lower value when considered as a factor affecting brand loyal consumption. The latter pertains to the routinised

response behaviour and the respondent was correspondingly found to attribute even lower values to informational input (advertising) than at the choice stage.

In case of frequently purchased products, a curious phenomenon is sometimes observed. Either because of situation or boredom even with the preferred brand or the routinisation of decision process and the resultant monotony, the buyer seeks to break the monotony by reactivating search for new alternatives, in the form of new brands. Brand loyalty, habit of use, strongly favourable post-purchase experience of the favourite brand in use, non-availability of possible acceptable alternatives may serve as inhibitors of such behaviour.

This discussion of the choice process amply illustrates that the choice criteria or the evaluative criteria that the buyer applies to evaluate the brands are the major determinants' of brand choice, because these represent the scales on which all the available alternatives will be weighed.

3.4.7   The Evaluative Criteria

The evaluative criteria are the consumer's reference scale on which he judges the brands as alternative choices. It is the collective name given to those specifications which are used by the buyer to evaluate and compare brands. They are dimensions used by the consumers in alternative evaluation. The degree of importance attributed to individual criteria and their organisation as decision inputs varies from individual to individual according to his personality, age, education and income etc. This study seeks to furnish empirical information on the various evaluative criteria as used by the respondents in the sample and the variation in their relative importance with income, education and occupation of the respondent.

Since the choice criteria specify those dimensions which the consumer perceives to be important enough to be met in his choice of alternatives; it is useful to have a general understanding of the criteria most commonly used. It is important because a purchase will not usually be made unless these specifications like the physical product, price quality, reputation etc. are manifested in the brand or product and the firm manufacturing them. These criteria have their

source in the consumer's self concept, his attributes and his set of values. The social and cultural environment, since it impinges upon all the above stated variables, also affects the choice criteria. It has been stipulated that the terminal values sought in purchase decision are the source of choice criteria at the product class level while the instrumental values sought furnish the source of brand choice criteria. The choice criteria applied to evaluate alternatives in the brand choice may either be objective (specific physical features like price, quality, availability) or subjective (symbolic image as to the newness, trendiness, youthfulness or maturity of the brand).

3.4.8 Overall Assessment of Howard Sheth Model

Like all the important conceptual developments this theory of buyer behaviour has its firm supporters and is at the same time, beset with certain limitations. Its impact on subsequent marketing thought can be adjudged from the amount of research it has stimulated; most scholars agree that the study of consumer behaviour was advanced and given an impetus by Howard Sheth Model. The major advantage and strength of the theory lies in the precision with which a large number of variables have been linked in the working relationships to cover most aspects of the purchase decision and the effective utilization of contribution from the behavioural sciences. The weakness stems from the fact that, there being substantial measurement error, the theory cannot be realistically tested. The distinction between the exogenous and endogenous variables is not clear cut. Some of these variables do not lend themselves easily to measurement, others defy precise definition. Sometimes there exist variations between definition and operational specification of a variable. Moreover, some areas like perceptual bias have not been very specifically explained.

In spite of all these limitations, the model because of its comprehensive coverage of almost all aspects of the purchase decision and operational explanation of the underlying stimuli and responses have given a useful frame of reference for the study of the buying decision over time. In this present study, the explanations of the working relationships of some of the significative and symbolic stimuli with the purchase action given in the model, have been, used to elaborate upon the choice process and the general impact of some evaluative

criteria. Generalizations from the model have also been used to clarify some of the behavioural responses to certain marketing variables and buying situations like effect of non-availability, price charges etc.

3.5   ENGEL KOLLAT BLACKWELL MODEL

The Engel Kollat Blackwell Model of Consumer Behaviour was created to describe the increasing, fast-growing body of knowledge concerning consumer behaviour. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components. The Engel-Kollat-Blackwell model is essentially a conscious problem solving and learning model of consumer behaviour. This model has a good description of active information seeking and evaluation processes of consumer.

EBK model is one of the structural models of consumer behaviour. It is a holistic model, with a full description to the decision making problem, reflecting consumer behaviour process during choosing product or service. It was developed in 1968 by J.F. Engel, D.T. Kollat and R.D. Blackwell. The name comes from the first letters of the names of its creators
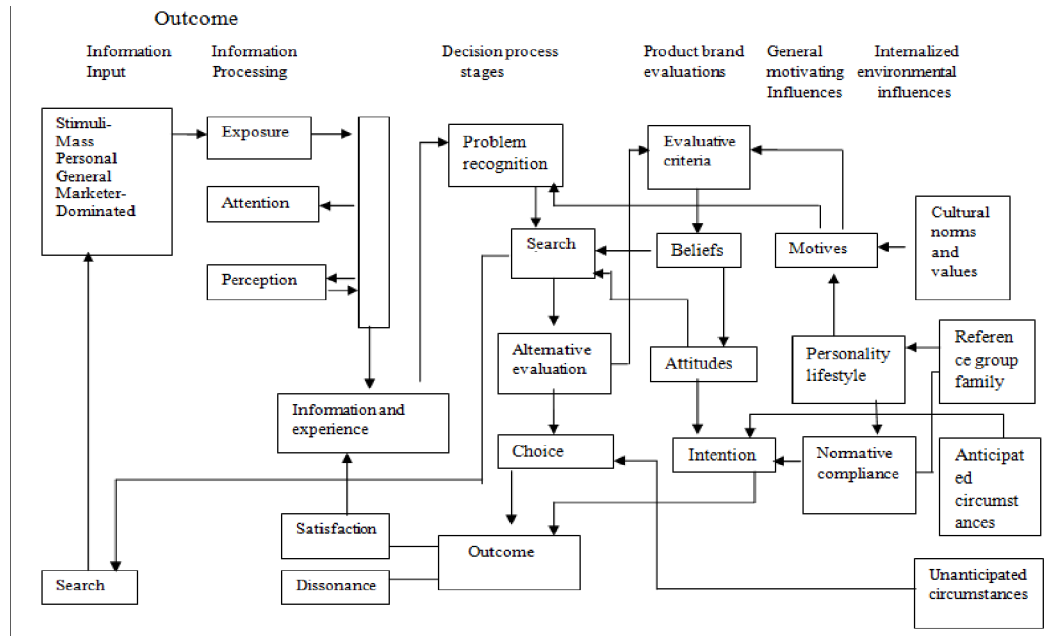
Figure 3.2: Engel Kollat Black Well Model

3.5.1   Stages of Consumer Decision Making in EBK Model

The EBK model shows components of decision making and the relationship and interaction among them. In their model of consumer behaviour, they view consumer behaviour as a decision process and identify five activities occurring in this decision process over a period of time. They are:

- **Problem recognition:** The consumer will recognize a difference between his or her actual state and what the ideal state should be. This may occur on account of external stimuli.

- **Information search:** Initially the information available with the consumer may be consistent to other beliefs and attitudes held by him or her. While being involved in an information seeking or search stage, the consumer will try to gather more information from various sources. The individual gets exposure of the stimuli which may catch his or her attention, be received and stored or retained in memory. This method of information is selective in nature and the consumer will accept the information, which is conclusive to what is perceived by them.

- **Alternative evaluation:** Now the individual will evaluate the alternate brands. The methods used for evaluating the various products will depend on the consumer's underlying goals, motives and personality. The consumer also has certain predetermined beliefs about the various brands in terms of the characteristics associated with the different brands.

- **Choice:** the consumer's choice will depend on his or her intention and attitude. The choice will depend on normative compliance and anticipated circumstances. Normative compliance relates to the extent to which the consumer is influenced by other people like friends, family members etc.

- **Outcome:** The outcome may either be positive or negative.

Apart from these 5 stages the model also includes a number of other related variables grouped into five categories. These are:

1.   Information input
2.   Information processing
3.   Product-brand evaluation

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4. General motivating influences

5. Internalised environmental influences

3.5.2 Other Related Variables Grouped into Five Categories

1. **Information Input :** The information input includes all kinds of stimuli that a consumer is exposed to and triggers a kind of behaviour. The consumer is exposed to a large number of stimuli both marketing (advertising, publicity, personal selling, demonstrations, store display, point of purchase stimuli) as well as non-marketing sources (family, friends, peers); thus the various stimuli compete for consumer's attention. These stimuli provide information to the consumer and trigger off the decision making process.

2. **Information Processing :** Stimuli received in the first stage provide information; the information is processed into meaningful information. The stage comprises consumer's exposure, attention, perception/ comprehension, acceptance, and retention of information. The consumer is exposed to stimuli (and the accompanying information); attention determines which of the stimuli he will focus upon; thereafter he would interpret and comprehend it, accepts it in his short term memory and retains it by transferring the input to long-term memory.

3. **Product-Brand Evaluation :** The third step is the (often tedious) evaluation process. Most consumers have a list of criteria that the solution must meet, and as a marketer, you must know exactly what is on that list. What's a deal-maker, and what's a deal-*breaker* in the eyes of your consumer?

   As the buyer evaluates, your marketing should speak to his needs and interests. There are many ways to make sure your marketing is relevant: you can build buyer personas to understand common criteria, objections, and challenges; you can segment and target your lists to send effective nurture emails; and you can personalize your website (and other content) in response to buyer attributes.

4. **General Motivating Influences :** The essence of marketing is to provide

goods and services to satisfy the needs and wants of people, institutions and organizations. Marketing creates more impact when the right product is designed to fill a need. It has always been said that good or quality product markets itself. Marketers have the aim of detecting or identifying and satisfying the desires of consumers or the market, as such, they try to sense and respond to the needs of the consumers by putting in place integrated marketing activities to achieve this objective. The marketer's weapon is the marketing mix. His ability to proportionately combine the elements of the marketing mix of product, price, place and promotion, will to a large extent, strategically put him in competitive advantage.

One thing is to develop a product, another is to stimulate the consumers drive to desire for the product. This calls for consumer motivation. Motivation is the driving force within individuals that drives them to action. It is the driving force within consumers that compels them to long for a product. Motivation is central to consumer's needs and goals.

5. **Internalised Environmental Influences :** When it comes to the psychological factors there are 4 important things affecting the consumer buying behaviour, i.e. perception, motivation, learning, beliefs and attitudes. These psychological factors are also known as internal factors. Social factors include reference groups, family, and social status. These factors too affect the buying behaviour of the consumer.

3.6 NICOSIA MODEL

This model was developed in 1966, by Francesco Nicosia, an expert in consumer motivation and behaviour. The Nicosia model tries to explain buyer behaviour by establishing a link between the organisation and its (prospective) consumer. The model suggests that messages from the firm first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur.

The Nicosia model groups the above activity explanation into four basic areas-fields one has two sub areas–the consumers attribute and firms attributes. Depending on the way, the message is received by the consumer, a certain attribute may develop. This newly developed attribute becomes the input for area two. The second area or area two is related to the search and evaluation, undertaken by the consumer, of the advertised product and also to verify if other alternatives are available. In case the above step results in a motivation to buy the product / service, it becomes the input for third area. The third area explains how the consumer actually buys the product. And area four is related to the uses of the purchased items. This fourth area can also be used as an output to receive feedback on sales results to the firm.
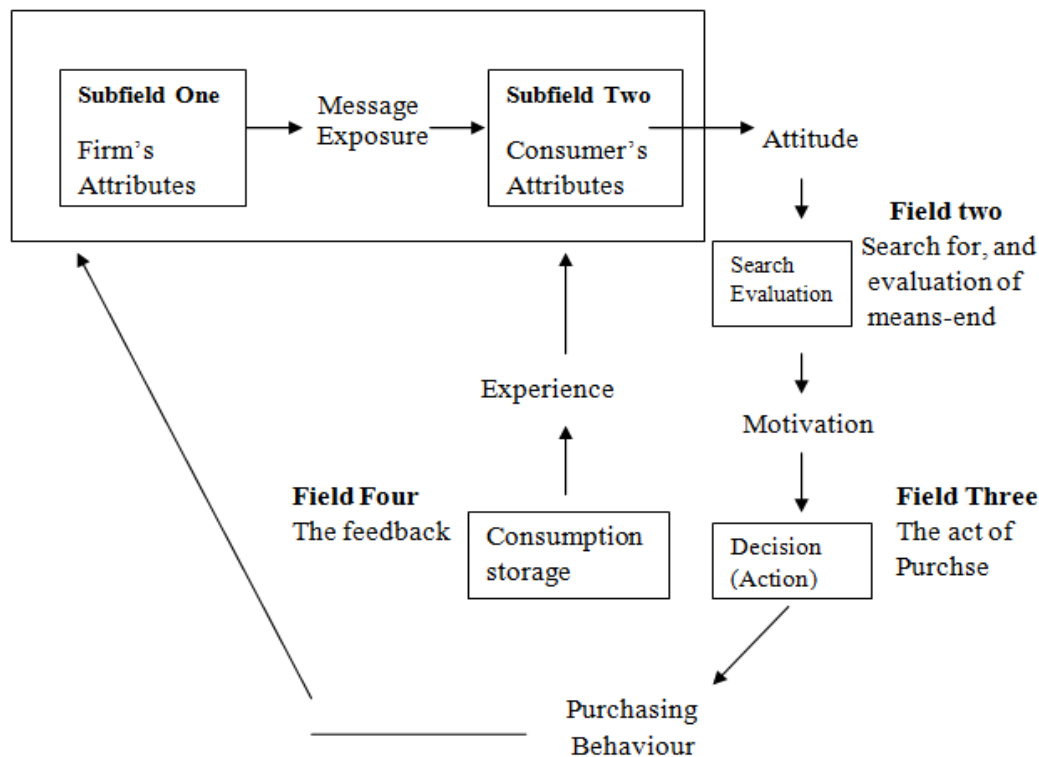
Figure 3.3: Nicosia Model of Consumer Buying Behaviour

3.6.1   Four Fields of Nicosia Model

This model explains the consumer behaviour on the basis of four fields

shown in the diagram. The output of field one becomes the input of field two, and so on. Field one consists of sub fields one and two. Sub field one is the firm's attributes and the attributes of the product. The sub field two is the predisposition of the consumer and his own characteristics and attributes, which are affected by his exposure to various information and message, and is responsible for the building of attitude of the consumer.

Field 1: The firm's attributes and the consumer's attributes. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: It is the pre action field, where the consumer goes on for research and evaluation and gets motivated to buy the product. It highlights the means and end relationship. The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase. The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer. It is the act of purchase or the decision-making to buy the product. The customer buys the product and uses it.

Field 4: Feedback of sales results. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individual's attitude and predisposition's concerning future messages from the firm. This field highlights the post-purchase behaviour and the use of the product, its storage and consumption. The feedback from field four is fed into the firms attributes or field one, and the feedback from the experience is responsible for changing the pre-disposition of the consumer and later his attitude towards the product. Nicosia Model is a comprehensive model

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of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behaviour of the consumer.

3.6.2 Appraisal of the Model

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process. With this model Nicosia was able to represent consumer's behaviour when receivers of a message and has agents in the buying process generated by that flow of information from a company.

Nicosia's model of buyer behaviour is credited as the first comprehensive model of buyer behaviour. Nicosia's model consists of four 'fields', beginning with the communication of information to affect the consumer's attitude (influenced by firm attributes and consumer attributes, notably consumer predispositions), followed by a search and evaluation process, a decision, and outcomes in terms of behaviour, consumption, storage, experience and feedback. Nicosia's formulation of the process to include an iterative, or repurchase cycle is important for conceptual framework development and very relevant to the services context. In financial services in particular, consumers may be purchasing a wide range of products (for example banking services, or financial planning advice) repeatedly from the same provider over a number of years. In addition, there can be high psychological and monetary risks associated with changing companies or products in financial services, and therefore often perceived barriers to switching. A repurchase or feedback loop is therefore required in any CDM for financial services. However, a major limitation of the Nicosia model is that it is from the marketer's perspective rather than the consumer's, with consumer activities only very broadly defined. There has also been little empirical work to support the model, whereas there is much empirical work to suggest that relationships depicted in the model are not in fact valid.

The Nicosia model of consumer behaviour offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

3.7   LET US SUM UP

The different types of models presented in this lesson are classical in their nature, scope and content. We appreciate the fact that a consumer behaviour model is simply anything used to represent all or a part of the variables of consumer behaviour. Essentially, consumer models are indispensable instruments for managerial decision making in marketing practice.

It is obvious that Howard-Sheth model, Kotler et al model and Nicosia models represent bench marks for decisions relating to getting the best product quality, the best advertising reach, the most accessible channels of distribution and the most suitable pricing strategy which can be used to satisfy consumers and attain corporate objectives. Therefore, in making decisions, it will be expedient to understand the working of various consumer models, because the consumer is at the centre of all marketing management decisions. Hence, incorporating his views, preferences, feelings and motives will guarantee overall corporate success.

This lesson describes the most well known Models of consumer decision making, the Howard Sheth Model, Engel Kollat Black well Model, and the Nicosia Model of consumer behaviour. The variables in the Howard Sheth model distinguishes brand choice stages into extensive problem solving, limited problem solving and routinised response behaviour. These stages and their impact on information search have been explained.

The Engel, Kollat and Blackwell Model, also referred to as the EKB model was proposed to organise and describe the growing body of knowledge/research concerning consumer behaviour. A comprehensive model,

it shows the various components of consumer decision making and the relationships/interactions among them. The model has emphasised on the conscious decision making process adopted by a consumer. The model is easy to understand and is flexible. The core of the EBM model is a decision process which is augmented with inputs from information processing and other influencing factors.

Nicosia model is a structural model of the purchase decision-making process by an individual consumer or a whole family. This model shows the interactive relationship between the company and the consumer. They arise between them for mutual communication - company communicates with consumers through promotional activities, while consumers by making purchases. The author of a model F.M. Nicosia identified three stages that gradually move the consumer in process:

- Preferences

- Attitudes

- Motivations

This model focuses on the relationship between the firm and its potential consumers. The model suggests that messages from the firm (advertisements) first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision.

3.8   CHECK YOUR PROGRESS

Q1.   List the inputs of various decisions making models and discuss their limitations in the market place.

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Q2. What is Consumer Involvement? Discuss the factors that affect the Consumer Involvement.

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Q3. What essential elements are required to understand consumer Decision Making?

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Q4. What is the significance of the Pavlovian Model? Discuss in brief.

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Q5. Discuss and illustrate the Input, Output Process Model by means of a diagram.

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Q6. Discuss the Howarth Sheth Model, the Engel-Blackwell-Kollat Model as applicable to individuals.

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Q7. Discuss the model of family decision-making and its importance.

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Q8. Discuss the various fields of the Nicosia Model.

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Q9. How is industrial buying different from individual buying?

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Q10. What are learning constructs and perceptual constructs? Briefly explain.

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3.9   GLOSSARY

- **Cognitive models:** The process by which consumers combine items of information about attributes to reach a decision.
- **Computerised Status Index (CSI):** A modern index used to determine social class through education, occupation, residence, and income.
- **Conjunctive model:** A non compensatory model that sets minimum cut offs to reject "bad" options.
- **Consumer behaviour:** The totality of consumer" decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units [over time].
- **Consumerism:** Activities of government, business, independent organisations, and consumers designed to protect the rights of consumers.

3.10 SUGGESTED READINGS

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UNIT-II   **LESSON NO. 4**

CONSUMER PERCEPTION AND LEARNING: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOUR

STRUCTURE

4.1   INTRODUCTION

In a Market, different consumers have different needs. As all consumers are unique they exhibit different behaviour while making a purchase decision due to various factors influencing consumer behaviour. Therefore, it is important to understand the various factors influencing consumer behaviour. From time to time companies make investment in understanding consumer behaviour and implementing strategies, which will help them retain customers. Consumers can be categorised as an individual consumer and organisational/industrial consumers. Understanding their behaviour and buying pattern is important in ultimate survival of companies in the market place.

Consumer behaviour consists of activities/process followed in making any buying decision of goods as well as a service. In recent time, service (holiday, travel, etc.) decisions are forming large part of consumer behaviour. One thing needs to be highlighted here is that consumer behaviour does not end with purchase of goods or service, but post purchase activities are also included in consumer behaviour. Furthermore, there is a difference between consumer behaviour and buying behaviour. Consumer behaviour as highlighted talks about process and actions taken by the final or end users where as buyer behaviour looks at intermediate users (who add value to goods and service) and final users.

Three factors are identified as the determinants of consumer behaviour namely economic determinants, psychological determinants and sociological determinants. Economic Determinants are personal income (individual's purchasing power), family income (total purchasing power of the family), the future income expectations (expected increase or decrease in availability of disposable income), availability of liquid asset (asset, which can be converted to cash), consumer market credit (if market conditions are good credit easily available) and social class (effluent class, upper-middle class, middle class, etc.).

As there are determinants for consumer behaviour, similar industrial buying behaviour has its own set of determinants, which are overall objectives of the organization, technological capabilities of the organisation which consist of information systems and network capabilities and finally organisation structure,

which includes its capital and number of employees. Therefore, consumer behaviour is important factor in determining marketing policies.

Factors Influencing Consumer Behaviour

Economic Factors	Personal Factors	Psycological Factors	Cultural and Social Factors
Personal Income - Discretionary Income, Disposable Income	Age	Motivation	Culture
Family Income	Occupation	Involvement	Subculture
Expectations regarding future income	Life Cycle Stage	Perception	Social Class
Liquid assest & consumer credit	Lifestyle	Learning	Social Groups
Level of Standard of Living	Personality & Self Concept	Lifestyle	Opinion Leaders
		Attitude	Role & Status

The buying behaviour of consumer is affected by a number of factors which are generally uncontrollable. These factors are also known as determinants of consumer buying behaviour. All these factors affect the buying behaviour of consumer differently.

Factors influencing consumer behaviour can also be classified into Individual Determinants and External Determinants. The individual determinants shape and determine the needs and motives of a consumer and direct him towards a purchase, while the external determinants indirectly influence the purchase process by filtering through individual determinants.

4.2   OBJECTIVES

After reading this lesson you would be able:

- To understand the factors affecting consumer buying behaviour.
- To know about individual determinants of consumer behaviour.
- To define perception and its key elements.
- To identify the various elements in perception.

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- To explain the perceptual process.
- To explain consumer learning theory and identify the necessary elements.
- To discuss the elements of Classical Conditioning theory.
- To identify the three strategic applications of Classical Conditioning.

4.3 INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOUR

The determinants of consumer behaviour can be grouped into three major captions namely, economic, psychological and sociological. An attempt is made to elucidate these with least complications.

4.3.1 Economic Determinants

Economic scientists were the first among social scientists to study consumers and their behaviour and provided the details about the solutions to the consumer and consumption problems. Economists, as we are aware, took man as a social and rational animal. The basic economic determinants among others are:

1. **Personal income :** One's income is the reward for one's economic efforts. Income means purchasing power. When we talk of income in marketing sense, we are more concerned with 'disposable income' and "discretionary income'.'Disposable income' is the amount of money that a consumer has at his disposal for spending or saving or both. In other words, of the total gross income, whatever balance remains after meeting pre--emptive demands like taxes, debt repayment and debt servicing charges and the like.

   Any change in disposable income will have change in consumer buying decisions. Decline in disposable income reduces the consumer spending; however, when disposable income rises, consumer spending not only rises but makes them to go in for more of luxuries. In other words, disposable income causes change in the relative demand for different categories of products and services. On the other hand, 'discretionary income' is the income which is available after meeting the basic needs of living. It is

the residual disposable income left after meeting all the expenses essential to provide a minimum subsistence needs to a family. Discretionary income changes have their own implications. A rise in discretionary income results in usually an increased spending by consumers on those items that raise their living standards. Therefore, a continuous rise in the discretionary income is likely to change the very life-style of the consumers.

2. **Family income :** Where a consumer is the member of a joint family, the buyer behaviour is influenced by the family income rather than the individual income. It does not mean that one can ignore the individual income, for family income is the aggregate of individual income of all the members of the family. In a joint family, it may so happen that a rise in an individual member's income may be neutralised by a fall in another member's income. That is why; it is the relationship between the family size or the requirements and the income that finally determines the buying behaviour or the family members.

3. **Consumer income expectations :** Many a times, it is the future income expectations of the consumer that influences such consumer behaviour. It is the optimism or the pessimism about consumer income that determines the level of current spending. If there are bleak prospects of future expected income, he spends less now and saves more and vice versa. It is worth the noting here that the force and vitality of a tendency to spend or save depends on the nature of consumer needs. In case of basic needs of living, such tendency will be too weak for no consumer denies the minimum subsistence level merely because to bleak future income expectations. However, in case of non-essential goods, such tendency may be very strong to save than to spend if he is expecting weak future income generation and vice versa.

4. **Consumer liquid assets :** It is the consumer liquid asset position that influences the consumer behaviour. Liquid assets of consumers are the assets held in the money or near-money forms of investments. The best examples of this kind are hard cash, bank balance, bank deposits, shares and bonds and saving certificates. These assets are built up to buy some

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consumer durables or to meet unexpected future needs or contingencies. If a person has more such liquid assets, more carefree he comes in spending the current or the regular income.

5.   **Consumer credit :** Availability or paucity of consumer credit has its impact on consumer buying behaviour. Consumer credit is a facility extended by a market to postpone the payment of products bought to some future date. Consumer credit takes number of shapes like deferred payment, instalment purchasing, hire-purchase arrangements and the like. Easy availability of consumer credit makes the consumer to go in for those consumer durables which he would have postponed otherwise. Further, it makes him to spend more freely the current income.

6.   **The level of standard of living :** The consumer behaviour has the impact of the established standard of living to which he is accustomed. Even if consumer income goes down, the consumer spending will not come down proportionately because, it is very difficult to come down from an established standard of living. On the other hand, rise in income tends to improve upon the established standard of living. In case the income falls, the short-fall is made good by borrowings to a certain extend over a short period of time.

4.3.2   Psychological Determinants

Psychologists have also provided certain clues as to why a consumer behaves this way or that way. The major psychological determinants internal to the individual are motivation perception, learning, attitude and personality.

1.   **Motivation :** Motivation is the 'why' of behaviour. It is an intervening variable between stimulus and response and a governing force of consumer behaviour.

"Motivation refers to the drives, urges, wishes or desires which initiate the sequence of events known as behaviour." as defined by Professor M.C. Burk. Motivation is an active, strong driving force that exists to reduce a state of tension and to protect, satisfy and enhance the individual and his self-concept. It is one that leads the individual to act in a particular

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way. It is the complex net-work of psychological and physiological mechanisms.

Therefore, motives can be conscious or unconscious, rational or emotional, positive or negative. These motives range from a mere biological desires like hunger and thirst to the most advanced scientific pursuits like landing on the Moon or Mars. It was Abraham Maslow who developed five steps human need hierarchy those of survival-Safety Belongingness and Love-Esteem and Self Actualisation. According to him, fulfilment of one will lead to the fulfilment of higher motives. The implications are that as we move up in the ladder, the input of marketing becomes more and more deep and subtle.

2. **Perception :** Marketing management is concerned with the understanding of the process of perception because, perception leads to thought and thought leads to action. Perception is the process whereby stimuli are received and interpreted by the individual and translated into a response.

3. **Learning :** In behavioural science, learning means any change in behaviour which comes about as a result of experience. Learning is the process of acquiring knowledge. Consumer behaviour is a process of learning because; it is modified according to the customer's past experience and the objectives he or she has set. This process of learning is made up of four stages namely, Drive- cue-response and Reinforcement. As most consumer behaviour is learnt behaviour, it has deep impact on consumer buying process. Prior experience and learning acts as buying guide. In-spite of such habitual behaviour, one can think of reasonable amount of brand switching, trying new products, does take place.

4. **Attitude :** The concept of attitude occupies a central position in the consumer behaviour studies in particular and social psychology in general because; attitude measurements helps in understanding and prediction of consumer behaviour. 'Attitude' refers to a predisposition to behave in a particular way when presented with a given stimulus and the attitudes towards people, places, products and things can be positive or negative or favourable or unfavourable.

Attitudes develop gradually as a result of experience; they emerge from interaction of a person with family, friends, and reference groups. There are three distinct components of attitude namely, cognitive, affective and co-native. 'Cognitive' component is what an individual believes about an object, thing or an event whether it is good or bad, necessary or unnecessary, useful or useless.

5. **Personality :** Very often, the word 'personality' is used to refer to the capacity of a person for popularity, friendliness or charisma. However, in strict sense, it refers to the essential differences between one individual and another. Therefore, personality consists of the mannerisms, habits and actions that make a person an individual and thereby serve to make him distinct from everyone else. It is the function of innate drives, learned motives and experience.

This means that an individual responds with certain amount of consistency to similar stimuli. Personality is the interplay of three components namely, 'id', 'the ego' and the 'super ego'. The 'id' governs the basic drives and the instincts of an individual. On the other hand, the 'super ego' disciplines the 'id' by suppressing anti-social behaviour; it drives the individual in the direction of more high minded pursuits of civilizations.

The 'ego' component is the executive and makes the conscious decisions and reconciles the inflicting demands of 'id' and 'super ego', wherever necessary. For instance, 'id' may force an individual to make full use of consumer credit to buy an automobile, 'super ego' dissuades such an activity as borrowing is a kind of social sin in Indian society.

The personality of an individual is either expressed in terms of traits or type. The personality traits may be aggressiveness honesty anxiety independence sociability and so on. The personality types may be introvert or extrovert or another classification as tradition direction outer direction and inner direction. Each of these traits and types has been explored as the possible clues to the behaviour of consumers.

4.3.3 Sociological Determinants

In the area of psychological determinants, the consumer behaviour was seen from the stand point view of an individual. However, the sociologists and social psychologists have attempted to explain the behaviour of a group of individuals and the way in which it affects and conditions and individual's behaviour in marketing or purchase decisions.

1. **Family :** Many of the decisions made by consumers are taken within the environment of the family and are affected by the desires, attitudes, and values of the other family members. Family, as a primary group, is vital because, it links the individual with a wider society and it is through this that the individual learns the roles appropriate to the adult life. The family can be 'nuclear' or 'extended'.

   A 'nuclear' family is a two generational family which consists, usually, a mother-father and children. The 'extended' family is one that spans at-least three generations which consists of mother-father- children- grandparents uncle-aunts, cousins-nephews and other in-laws. There is another way of classifying the family based on family life-cycle.

   This classification is 'home making phase' from marriage to birth of the first child; the 'procreation phase' from the birth of the first child to the marriage of the first child's; the dispersion phase' from the marriage of the first child to the marriage of the last and the 'final phase' from the marriage of the last child to the death of original partners.

   The family impact on consumer buying behaviour can be traced in two ways:

   1. The family influence on the individual personality characteristics, attitudes and the evaluative criteria and

   2. The family influence in the decision-making process involved in the purchases. Family is both a purchasing and consuming unit.

   In nuclear families, it is mostly the house-wife that has an upper hand in family purchases regarding her family role such as food, clothing, cosmetics, interior decoration and jewelleries. Father has say over

clothing, education, insurance etc., The children have say in clothes, sports-equipments and recreational facilities such as TV, stereo-sets and the like. Family life-cycle also has its own influence on buying behaviour. Thus, the proportion of a family budget spent on food, clothing and children goes on increasing in the 'procreation stage' than in 'home making stage'.

2. **Reference Groups :** Each person in the society is not only the member of his family but the member of some group or groups outside the family circle. These groups can be called as 'reference groups'.

'Reference groups' are those groups which an individual identifies with to the extent that these groups become a standard or norm which influences his behaviour. Reference group is a social and professional group that influences the individual's opinions, beliefs and aspirations. It is one that provides an individual with a sense of identity, accomplishment and stability. Generally, a person refers to any one of the following types of reference groups in building his or her behaviour.

- The groups that serve as comparison points : Here, the individual compares himself, his attitudes, his behaviour and his performance with the group of members. Thus, he may feel poor if members are richer than himself or vice versa.

- Groups to which a person aspires to belong : Here, the individual aspires to be the member of such group and imitates the behaviour of that group including buying behaviour. Thus, the group may be of higher social status or a cult group such as 'hippies' or the 'jet-set'.

- Groups whose social perspectives are assumed by the individual as a frame-work of reference for his own actions

Here, an individual may adopt the views of the group without becoming a member. A person need not be a professional sportsman to have the opinion and outlook of a professional sportsman.

Some non-military persons behave more than 'military' personnel. Similarly, a person belonging to minority may adopt the values and the

perspectives of a majority which he dislikes by very nature. Consumers as social animals spend most of their time in group situations, and accept information provided by their groups on products, price, performance, style and the like.

It is group norms that direct the attention of its members towards a new product, a new brand. These reference groups have face to face interactions that provide word of mouth communication which is more powerful than formal advertising. A satisfied customer becomes the salesman of the product.

3. **Opinion leaders :** Like reference groups, 'opinion leaders' or 'influential play a key role in influencing the buying behaviour of their followers. Very often we come across situations where a person refers to an individual than a group in formulating his or her behaviour pattern. The individual to whom such reference is made by a person or persons is the opinion leader.

The beliefs, preferences, attitudes, actions and behaviour of the leader set a trend and a pattern for others to follow in given situation. In very intimate reference group, there is a reference person, an informal group leader. The group of followers respects him and looks up to him. He is the innovator in the group of followers who respect him and look up to him. He is the innovator in the group who first tries new ideas and products and then propagates them to his followers. Marketers very often try to catch hold of the opinion leaders through ads and other means of communication. If they succeed in selling their ideas and products to the opinion leaders, then they have sold it to the entire group of followers behind them.

4. **Social class and caste :** Buying behaviour of individuals is also influenced by the social class and the caste to which they belong. Social class is a relatively permanent and homogeneous division of a society into which individuals or families sharing similar values, life-style, interests and behaviour can be categorized. Social class is a larger group

than intimate group in structure. Constitution of a social class is determined by the income, authority, power, ownership, life-styles, education, consumption patterns, occupation, type and place of residence of the individual members. In our country, we can think of three classes are as 'rich', 'middle' and 'poor'. Caste, on the other hand, is the group of the membership by birth. It is not the wealth but the birth that decides his or her caste. These castes were based on activity specialisation of profession or occupation.

From the marketing stand point, both social class and caste frame are quite relevant as buyer behaviour is influenced by these. Each class and caste develops its own standards of style, living and behaviour patterns.It is not a surprise, and then if the members of such a class select a particular brand of product, shops at a particular store which caters to their group norms.

5. **Culture :** Culture adds yet another dimension to the study of consumer behaviour. 'Culture" refers to all those symbols, anti-factor and behavioural patterns which are passed on socially from one generation to the next. It includes cognitive elements, beliefs, values, and norms, signs and non-normative behaviour. Cultures are specific to the areas in which they evolve. Yet two nations can enjoy a common cultural heritage. Thus, each nation has its distinct culture; however, in a particular nation, there may be subcultures identified on the basis of ethnicity, nationality, religion and race.

Cultural and sub-cultural groups have their unique consumption patterns that provide important bases to the marketers. Cultural trends have significant implications for market segmentation, product development, advertising, merchandising, branding and packaging. While designing the marketing-mix, it is but essential to determine the broad cultural values that are relevant to the product as well as the most effective means of conveying these values. A shrewd marketer never contradicts these cultural values in product, promotion, price and distribution.

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4.4   CONSUMER PERCEPTION

Marketing management is concerned with the understanding of the process of perception because, perception leads to thought and thought leads to action. Perception is the process whereby stimuli are received and interpreted by the individual and translated into a response.

Also, it is the process of selecting, organising and interpreting information inputs to produce meaning. This indicates that once we select information we pay attention to, organise it and interpret it. Information inputs are the sensations received through sight, taste, hearing, smell and touch.

Thus we can say that the above definition of perception of perception lays emphasis on certain features:

- Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it.

- Perception is basically a cognitive or thinking process and individual activities; emotions, feelings etc. are based on his or her perceptions of their surroundings or environment.

- Perception being an intellectual and cognitive process will be subjective in nature. The key word in the definition of perception is individual.

In other words, perception is the process by which the mind receives, organises and interprets physical stimuli. To perceive is to see, hear, touch, taste, smell and sense internally something or some event or some relation.

Perception is selective because, and individual cannot possibly perceive all stimulus objects within his perceptional field; hence, he perceives selectively. Perception is organized because, perceptions have meaning for the individual and they do not represent a buzzing confusion. Perception depends upon stimulus factors. That is, the nature of physical stimulus itself is a determinant of perception.

The variables like colour size, contrast, intensity, frequency and movement are of this kind. Again, perception depends on the personal factors. What the

individual brings to the situation governs perception his ability to see or hear the message, his needs, his moods, memory, expressions and values all these modify the message reception. The personal factor of perception is his self concept, need, span of apprehension, mental set and the past experiences.

Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. It can be described as "how we see the world around us". Two individuals may be exposed to the same stimuli under the same apparent conditions, but how each person recognises, selects, organizes, and interprets these stimuli is a highly individual process based on each person's own needs, values, and expectations. Perception is made up of different concept. However within the frame work of consumer behaviour, the basic elements or concept of perception include; Sensation, Absolute Threshold, Differential Threshold and Subliminal Perception.

4.4.1 Elements of Perception

We can describe perception as also "how we see the world around us". Say for instance, you and your friend Smita may be exposed to the same stimuli under the apparent conditions, but how both of you recognise, select, organise and interpret them is a highly individualised process based on each of your needs, values, and expectations. The influence that each of these variables have on the perceptual process and its relevance to marketing, will be explored in some detail. First, however, we will examine some of the basic concepts that underlie the perception process.

I.   Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package, and a brand name).

Stimulus is any unit of input to any of the senses.

Sensory receptors are the human organs (i.e., the eyes, ears, nose, mouth, and skin) that receive sensory inputs, sight, sound, smell, taste, or touch. Human sensitivity refers to the experience of sensation. Sensitivity to stimuli varies with the quality of an individual's sensory receptors and the amount or intensity

of the stimuli to which he/she is exposed. Sensation itself depends on energy change, the difference of input. Thus, a constant environment, whether very busy and noisy or relatively quiet, would provide little sensation because of the lack of change, the consistent level of stimulation.

As sensory input decreases, the ability to detect changes increases. This ability of the human organism to accommodate itself to varying levels of sensitivity as external conditions vary not only protects us from damaging, disruptive, or irrelevant bombardment when the input level is high but has important implications for marketers.

II.   Absolute threshold

The lowest level at which an individual can experience a sensation is called the absolute threshold. The point at which a person can detect the difference between "something" and "nothing" is that person's absolute threshold for the stimulus.

For example, you are going with your friend Ravi on a long drive and you are hungry. When both of you first spot a restaurant, it is said to be your absolute threshold. If both of you spot the restaurant at different times, you are said to have different absolute thresholds. Under conditions of constant stimulation, such as driving through a "corridor" of hoardings absolute threshold increases (that is, the senses tend to become increasingly dulled).

Adaptation refers specifically to "getting used to" certain sensations, becoming accustomed to a certain level of stimulation.

Sensory adaptation is a problem that causes many advertisers to change their advertising campaigns regularly. Marketers try to increase sensory input in order to cut through the daily clutter consumers experience in the consumption of advertising. Some increase sensory input in an effort to cut through the advertising "clutter." Other advertisers try to attract attention by decreasing sensory input. Some advertisers use silences (the absence of music or other audio effects) to generate attention. Some marketers seek unusual media in which to place their advertisements in an effort to gain attention. Some use scent researchers to enhance their products with a unique smell.

Package designers try to determine consumers' absolute thresholds to make sure that their new product designs will stand out from competitors' packages on retailers' shelves.

Under conditions of constant stimulation. i.e., when an individual is getting continuous exposure to certain objects or events, then in spite of the absolute threshold increasing, due to the adoption process, the stimuli will cease to make a positive impression. It is due to this sensory adoption problem that many television advertisers change their advertising campaigns after some time.

For example, the advertisement showing the evil crackle of the horned spokesperson Satan (Devil) of *Onida T.V* has been changed to a more humorous and synthetic announcement by an airhostess, by Ogilvy & Mather (O&M), the advertising agency handling this account.

III. Differential threshold

The minimal difference that can be detected between two stimuli is called the *difference threshold* or the *j.n.d. (just noticeable difference)*. A 19th century German scientist named Ernst Weber discovered that the j.n.d. between two stimuli was not an absolute amount, but an amount relative to the intensity of the first stimulus. Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different. Also, an additional level of stimulus, equivalent to the j.n.d., must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus. Weber's law holds for all senses and almost all levels of intensity. Retailers use the principle in reducing prices. Markdowns must amount to at least twenty percent to be noticed by shoppers.

IV. Subliminal perception

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

In the late 1950s there was a stir when consumers were being exposed to subliminal advertising messages they were not aware of receiving. Messages were supposedly persuading people to buy goods and services without their being aware of it. The effectiveness of the concept was tested at a drive-in theatre by flashing the words "eat popcorn" and "drink coke" on the screen during the movie, so quickly that the audience was not aware of it. In a six-week test, popcorn sales increased 58 percent and coke sales 18 percent. No scientific controls were used, and results were never replicated.

4.4.2 Nature and Process of Perception

Information processing is a series of activities by which stimuli are perceived, transformed into information and stored. There are four major stages in this information-processing model, viz., exposure, attention, interpretation and memory. It is the first three, which constitute the perception process.

Exposure occurs when a stimulus such as an advertisement comes within range of a person's sensory receptor nerves-vision for example. Target customer is in proximity of message when delivered, e.g. watching *Friends* when ad aired.

Attention occurs when the receptor nerves pass the sensation on to the brain for processing. Target customer allocates cognitive processing capacity • i.e. pays attention to ad.

Interpretation is the assignment of meaning to the received sensations. Target customer interprets the message, i.e. 'message sent = message received'

Memory is the short-term use of the meaning for the immediate decision-making and the longer-term retention of the meaning. Target customer stores the advertisement and message in memory so can be accessed when needed. There is normally a linear flow from exposure to memory.

Thus, we see that consumer perception can be approached from three vantage points

A.   **Sensory modalities:** The effects of the five senses on the way in which products are perceived.

B.   **Gestalt psychology:** Gestalt psychology looks at how consumers perceive

information within and as part of the context in which it is presented. Gestalt theory is particularly useful in making decisions related to advertising and packaging.

C.   Consumer interpretation: The perceptual process consists of many sub processes. We can understand this by taking a note of the input-throughput - output approach. This approach is based on the fact that there is an input, which when processed gives outputs. That is, the perceptual inputs will comprise of stimuli in the environment.

Perceptual Inputs: The first process in the perceptual process is the presence of stimuli like people, objects, events, information etc.

Perceptual outputs: The perceptual outputs will be the behaviour or actions of the individuals, i.e., the resultant opinions, feelings attitudes etc.

4.4.3 Principles of Perceptual Organisation

William James American psychologist has said if we understand the world as it appears to us, it will be a big booming- buzzing confusion. Hence, we do not see the things as they appear, but we see them as we want, i.e. more meaningfully.

In perceptual process we select a particular stimulus with our attention and interpret it. In the same way whenever it is necessary many discrete stimuli in our visual field are organised into a form and perceived more meaningfully than they appear.

This phenomenon was well explained by Gestalt psychologists. They believed that the brain creates a coherent perceptual experience by perceiving a stimulus as a whole than perceiving discrete entities. This is more meaningfully stated in the gestalt principle as 'the whole is better than sum total of its parts'. This is explained under many sub-principles of perception.

Figure-ground Relationship

According to this principle any figure can be perceived more meaningfully in a background and that figure cannot be separated from that background. For example, letters written with a white chalk piece are perceived clearly in the background of a blackboard.

Figure 4.1

Fig. 3.2: Reversible configurations

In the Figure 4.1, two faces can be seen in the background of a white colour. So also the white background can be perceived as a vessel in the background of two faces.

Grouping of Stimuli in Perceptual Organisation

As said above, according to gestalt principle, the objects can be perceived meaningfully when they are grouped together. There are some principles which are followed by us in order to make our perception more meaningful. They are as follows:

- **Proximity**

Proximity means nearness. The objects which are nearer to each other can be perceived meaningfully by grouping them. For example, the word 'Man', here though the letters are discrete, when grouped together gives some meaning. The stars in the Figure 4.2 which are nearer to each other are perceived together as groups/single figure.

Figure 4.2

- **Similarity**

Stimuli need not be nearer to each other for perception. If there is similarity in these objects, they are grouped together and perceived, even if they are away.

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For example, in this Figure 4.3 grouping will be done according to similarity, i.e. all circles, squares and triangles are grouped separately.

Figure 4.3
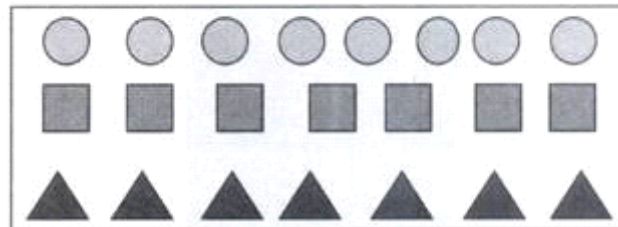
- **Continuity**

Any stimulus which extends in the same direction or shape will be perceived as a whole Figure 4.4A and B. For example, (A) in this figure though the curved line is broken, it is perceived as a continuous line, so also straight line is not seen with semicircles but as a continuous line (B) the dots are perceived as existing in the same line of direction continuously.

Figure 4.4A and B
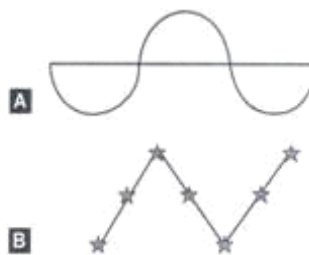
- **Closure**: When a stimulus is presented with gaps, the human tendency is to perceive that figure as complete one by filling the gaps psychologically.

- **Symmetry** : Objects which are having symmetrical shape are perceived as groups. For example, the brackets of different shapes shown in the Figure 4.5 perceived meaningfully, because they are grouped together and perceived as brackets.

Figure 4.5

Perceptual Constancy

This refers to stableness in perception. We have a tendency to perceive the objects as relatively stable and unchanging in shape and size, inspite of a change in the image that we receive. For example, when we see a person from 5' distance, the size of the image in our eyes differs from the image of the same person from 100' distance. Even then we perceive him as the same person. When we see people and houses from the top of hill, the images will be very small like Lilly puts. But we do not get confused by this. We perceive them correctly according to their actual size. Perceptual constancy depends upon several factors like past experience, expectancy, habits, motivations, cognitive styles, learning, imagination, etc.

Types of perceptual constancy

There are different types of perceptual constancies. They are shape and size, brightness and colour, size constancy, etc.

Depth Perception

Ability of a person to perceive the distance is known as depth perception. This is very important ability to judge the distance between us and other people, objects and vehicles moving particularly when we are on roads. This is also known as third dimension. The other two dimensions are left and right, and above and below. Depth perception is possible due to certain cues. These cues help us to understand the distance between one person and the other person or object.

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These are of two types:

a.   *Monocular cues:*

These are the cues that can operate when only one eye is looking. Some of such cues are:

Linear perspective:

The distances separating the images of far objects appear to be smaller. For example, imagine that you are standing between railway tracks and looking off into the distance. It appears that the tracks would seem to run closer and closer together at the other end.

Aerial perspective:

The nearer objects appear clearer than the distant objects. For example, a hill in far of distance appears farther away because the details do not seem clearly.

Interposition:

When one object obstructs our view of another, the front one appears nearer than the partly covered one. For example, in the Figure 4.6 the hill which appears full is definitely nearer than the partly seen.

Figure 4.6
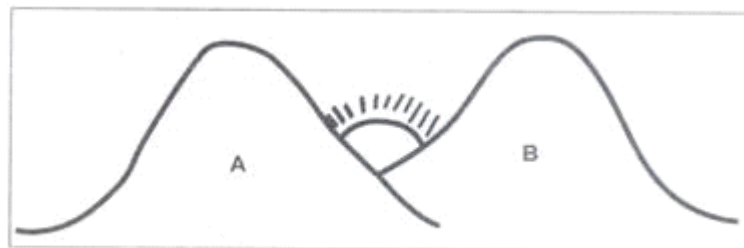
Gradient structure:

A gradient is a continuous change in something- a change without abrupt transitions. Usually the regions closer to the observer have a coarse texture and many details. As the distance increases, the texture becomes finer and finer.

This happens very gradually and gives a cue about the depth or distance. In Figure 4.7 the structures which are nearer appear larger than the distant one which appear smaller as the move away.

Figure 4.7
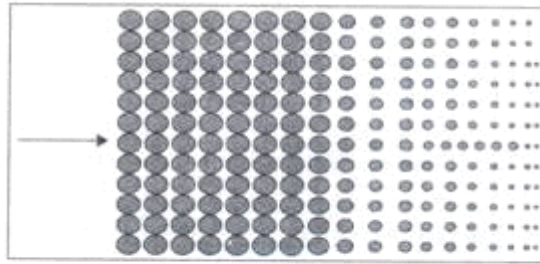
There are some other monocular cues also viz., movement, shadow, etc.

b. **_Binocular cues:_** Sometimes the depth can be perceived when both eyes are used. This is called binocular cue. There are two binocular cues:

1. **Retinal disparity :** The image of the object which falls on both the retinas differs. Disparity will be more when the object is closer than when it is far away. Depending upon the correspondence between the distance and the amount of disparity, the depth can be perceived.

2. **Convergence or divergence of eyeballs** : When the object moves nearer and nearer to our eyes, our eyeballs converge, and as the object moves away from us the eyeballs diverge. This process acts as a binocular cue to perceive the depth.

Perception of Movement

When a particular object appears in different places at different times we understand that the object is in movement. This process is called perception of movement. Such an ability to perceive movement is gained from birth itself as a natural process. This is a most important ability. It is only by this ability the organism can understand the world around and can perceive the dangers / threats in the movement, so that it can easily escape from such dangers.

Apparent motion

Sometimes we perceive that the objects are moving. In fact the objects are stationary, i.e. they will not be moving. Hence, the perception of an object which is not moving, as an object moving is an illusion. For example, when we are moving fast in a bus, the trees, plants and other non-moving objects appear

to move in the opposite direction. In the same way, even the movements of figures in a film appear to move, though they remain without movement. Since moving pictures are taken continuously and the film reel is run very fast, it produces a movement feeling called stroboscopic motion or phi phenomenon.

4.5   CONSUMER LEARNING

It is a process which brings a permanent change in the behaviour of a person. People generally learn through past experiences and develop a certain behaviour towards a product or service. In behavioural science, learning means any change in behaviour which comes about as a result of experience. Learning is the process of acquiring knowledge. Consumer behaviour is a process of learning because; it is modified according to the customer's past experience and the objectives he or she has set. This process of learning is made up of four stages namely, Drive- cue-response and Reinforcement. 'Drive' refers to an internal state of tension which warrants action. Thus, hunger or thirst can be a drive. A 'cue' is an environmental stimulus. For instance, it can be an ad on food item or soft- drink, 'Response' represents the person's reaction to cues within his environment. Here, it can be purchased of food item or soft-drink. 'Reinforcement' is the responses reward.

The food item or soft drink satisfies the hunger or the thirst. When reinforcement happens, the response may be duplicated resulting in habit formation or absence of reinforcement results in extinction of learnt habit. The strong tendency of most consumers to develop brand loyalties definitely benefits the makers of established brands. This makes the manufacturer of a new brand to face difficulty in breaking such loyalties and encouraging brand switching.

Every day we are exposed to a wide range of information, but retain only a small portion of it. We tend to remember the information that we are interested in or, that is important to us. In a family different member of the family are interested in different types of information which they individually retain. Mothers retain information regarding household items. Father retains information regarding his interest in cars, motor cycles and other objects. Children are interested in objects of their interest like amusement parks, joy rides, Barbie

dolls, etc. Our motives, attitudes, personality filters the information. Keeping only relevant information in our minds and, keeping the others out. This is known as selective retention. We retain in our memory only selective information that is of interest to us. Learning is a change in a person's thought processes caused by prior experience. Consumer learning may result from things that marketers do, or it may result from stimuli that have nothing to do with marketing.

Therefore, consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behaviour. Some learning is intentional; much learning is incidental. Basic elements that contribute to an understanding of learning are motivation, cues, response, and reinforcement.

4.5.1 Certain Basic Elements of Learning

Learning theorists in general agree that in order for learning to occur, certain basic elements must be present-motivation, cues, response, and reinforcement.

Motivation : Motivation is based on needs and goals. The degree of relevance, or involvement, with the goal, is critical to how motivated the consumer is to search for information about a product. Uncovering consumer motives is one of the prime tasks of marketers, who try to teach consumer segments why their product will best fulfil their needs.

Cues : If motives serve to stimulate learning, cues are the stimuli that give direction to the motives. In the marketplace, price, styling, packaging, advertising, and store displays all serve as cues to help consumers fulfil their needs. Cues serve to direct consumer drives when they are consistent with their expectations.

Response : How individuals react to a cue-how they behave-constitutes their response. A response is not tied to a need in a one-to-one fashion. A need or motive may evoke a whole variety of responses. The response a consumer makes depends heavily on previous learning; that, in turn, depends on how related responses were reinforced previously.

Reinforcement : Reinforcement increases the likelihood that a specific response will occur in the future as the result of particular cues or stimuli.

4.5.2 Behavioural Learning Theories

Behavioural learning theories are sometimes called stimulus response theories. When a person responds in a predictable way to a known stimulus, he or she is said to have "learned." Behavioural theories are most concerned with the inputs and outcomes of learning, not the process.

Two theories relevant to marketing are classical conditioning and instrumental (or operant) conditioning.

I. Classical Conditioning

Early classical conditioning theorists regarded all organisms as passive recipients. Conditioning involved building automatic responses to stimuli. Ivan Pavlov was the first to describe conditioning and to propose it as a general model of how learning occurs. For Pavlov, conditioned learning results when a stimulus that is paired with another stimulus elicits a known response and serves to produce the same response when used alone. He used dogs to demonstrate his theories. The dogs were hungry and highly motivated to eat. Meat paste to the dogs' tongues, which caused them to salivate. After a sufficient number of repetitions of the bell sound, followed almost immediately by the food, the bell alone caused the dogs to salivate. In a consumer behaviour context, an unconditioned stimulus might consist of a well-known brand symbol (e.g., the Microsoft "windows" icon) that implies technological superiority and trouble-free operation (the unconditioned response).

Conditioned stimuli might consist of new products bearing well-known symbols. Recent conditioning theory views classical conditioning as the learning of associations among events that allows the organism to anticipate and "represent" its environment. The relationship (i.e., contiguity) between the conditioned stimulus and the unconditioned stimulus (the bell and the meat paste) influenced the dogs' expectations, which in turn influenced their behaviour (salivation). Classical conditioning is seen as cognitive associative learning not the acquisition of new reflexes, but the acquisition of new knowledge about the world.

II. Instrumental Conditioning

Like classical conditioning, instrumental conditioning requires a link between a stimulus and a response. However, in instrumental conditioning, the stimulus that results in the most satisfactory response is the one that is learned. Instrumental learning theorists believe that learning occurs through a trial-and-error process, with habits formed as a result of rewards received for certain responses or behaviours. Although classical conditioning is useful in explaining how consumers learn very simple kinds of behaviours, instrumental conditioning is more helpful in explaining complex, goal-directed activities. According to American psychologist B. F. Skinner, most individual learning occurs in a controlled environment in which individuals are "rewarded" for choosing an appropriate behaviour. In consumer behaviour terms, instrumental conditioning suggests that consumers learn by means of a trial-and error process in which some purchase behaviours result in more favourable outcomes (i.e., rewards) than other purchase behaviours. A favourable experience is instrumental in teaching the individual to repeat a specific behaviour. Like Pavlov, Skinner developed his model of learning by working with animals. In a marketing context, the consumer who tries several brands and styles of jeans before finding a style that fits her figure (positive reinforcement) has engaged in instrumental learning.

Skinner distinguished two types of reinforcement (or reward) influence, which provided that the likelihood for a response would be repeated. The first type, positive reinforcement, consists of events that strengthen the likelihood of a specific response. Negative reinforcement is an unpleasant or negative outcome that also serves to encourage a specific behaviour. Fear appeals in ad messages are examples of negative reinforcement. Either positive or negative reinforcement can be used to elicit a desired response. Negative reinforcement should not be confused with punishment, which is designed to discourage behaviour.

Forgetting and extinction-when a learned response is no longer reinforced, it diminishes to the point of extinction; that is, to the point at which the link between the stimulus and the expected reward is eliminated. Forgetting is often related to the passage of time; this is known as the process of decay. Marketers

can overcome forgetting through repetition and can combat extinction through the deliberate enhancement of consumer satisfaction.

4.5.3 Cognitive Learning Theory

Not all learning is the result of repeated trials. Learning also takes place as the result of consumer thinking and problem solving. Cognitive learning is based on mental activity. Cognitive learning theory holds that the kind of learning most characteristic of human beings is problem solving and it gives some control over their environment.

Information Processing

The human mind processes the information it receives as input much as a computer does. Information processing is related to both the consumer's cognitive ability and the complexity of the information to be processed. Individuals differ in terms of their ability to form mental images and in their ability to recall information. The more experience a consumer has with a product category, the greater his or her ability to make use of product information.

How Consumers Store, Retain, and Retrieve Information

The structure of memory-because information processing occurs in stages, it is believed that content is stored in the memory in separate storehouses for further processing; a sensory store, a short-term store, and a long-term store. Sensory store-all data comes to us through our senses, however, our senses do not transmit information as whole images. The separate pieces of information are synchronised as a single image. This sensory store holds the image of a sensory input for just a second or two. This suggests that it's easy for marketers to get information into the consumer's sensory store, but hard to make a lasting impression.

Short-term store-if the data survives the sensory store, it is moved to the short-term store. This is our working memory. If rehearsal-the silent, mental repetition of material- takes place, then the data is transferred to the long-term store. If data is not rehearsed and transferred, it is lost in a few seconds.

Long-term store-once data is transferred to the long-term store it can last for days, weeks, or even years.

Rehearsal and encoding-the amount of information available for delivery from the short-term store to the long-term store depends on the amount of rehearsal an individual gives to it.

Encoding is the process by which we select and assign a word or visual image to represent a perceived object. Learning visually takes less time than learning verbal information. How much consumers encode depends on their cognitive commitment to the intake of the information and their gender.

Information overload takes place when the consumer is presented with too much information. It appears to be a function of the amount of information and time frame of that information. There are contradictory studies on what constitutes overload. The difficulty is determining the point of "overload."

Retrieval is the process by which we recover information from long-term storage. A great deal of research is focused on how individuals retrieve information from memory. Studies show that consumers tend to remember the product's benefits, rather than its attributes. Advertisements for competing brands or for other products made by the same manufacturer can lower the consumer's ability to remember advertised brand information. There are actually two kinds of interference. New learning can interfere with the retrieval of previously stored material. Old learning can interfere with the recall of recently learned material.

4.5.4 Involvement Theory

Involvement theory developed from research into hemispherical lateralisation or split-brain theory. The premise is that the right and left hemispheres of the brain specialize in the kinds of information they process. The left hemisphere is responsible for cognitive activities such as reading, speaking, and attribution information processing. The right hemisphere of the brain is concerned with nonverbal, timeless, pictorial, and holistic information. Individuals passively process and store right-brain information. Because it is largely pictorial, TV viewing is considered a right hemisphere activity. Passive learning was thought to occur through repeated exposures to low-involvement information.TV commercials were thought to produce change in consumer behaviour before it changed consumer attitudes. The left hemisphere is associated

with high-involvement information. Print media (newspapers and magazines) are considered left hemisphere or high-involvement activity.

4.6   LET US SUM UP

Every marketing activity starts with the consumer and ends with the consumer. It is very much necessary to know the people that consume products or services and play a role in buying decision and why they do so. Consumers are seen as having goals, wants and beliefs that dispose them to buy. However, consumers may be disposed towards buying a product without actually doing so. A human being by nature is very complex. It is very difficult to understand the human behaviour. It is the human brain, which directs all the activities of a human being. It is said that human brain is like a black box.

Consumer behaviour has been always of great interest to marketers. The knowledge of consumer behaviour helps the marketer to understand how consumers think, feel and select from alternatives like products, brands and the like and how the consumers are influenced by their environment, the reference groups, family, and salespersons and so on. A consumer's buying behaviour is influenced by cultural, social, personal and psychological factors. Most of these factors are uncontrollable and beyond the hands of marketers but they have to be considered while trying to understand the complex behavior of the consumers.

Consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behaviour. Some learning is intentional; much learning is incidental. Basic elements that contribute to an understanding of learning are motivation, cues, response, and reinforcement. There are two schools of thought as to how individuals learn-behavioural theories and cognitive theories. Behavioural theorists view learning as observable responses to stimuli; whereas cognitive theorists believe that learning is a function of mental processing.

Three types of behavioural learning theories are classical conditioning, instrumental conditioning, and observational (vicarious) learning. The principles of classical conditioning that provide theoretical underpinnings for many marketing applications include repetition, stimulus generalization, and stimulus

discrimination. Neo-Pavlovian theories view traditional classical conditioning as cognitive associative learning rather than as reflexive action.

Instrumental learning theorists believe that learning occurs through a trial-and-error process in which positive outcomes (i.e., rewards) result in repeat behaviour. Both positive and negative reinforcement can be used to encourage the desired behaviour. Reinforcement schedules can be total (consistent) or partial (fixed ratio or random). The timing of repetitions influences how long the learned material is retained. Massed repetitions produce more initial learning than distributed repetitions; however, learning usually persists longer with distributed (i.e., spread out) reinforcement schedules.

Cognitive learning theory holds that the kind of learning most characteristic of humans is problem solving. Cognitive theorists are concerned with how information is processed by the human mind: how is it stored, retained, and retrieved. A simple model of the structure and operation of memory suggests the existence of three separate storage units: the sensory store,

short-term store (or working memory), and long-term store. The processes of memory include rehearsal, encoding, storage, and retrieval.

Involvement theory proposes that people engage in limited information processing in situations of low importance or relevance to them and in extensive information processing in situations of high relevance.

4.7   CHECK YOUR PROGRESS

Q1.   What are the various factors influencing consumer buying behaviour?

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Q2.   Explain with example perception as a factor affecting individual decision making.

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Q3.   Briefly discuss about various personal factors affecting consumer behaviour.

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4.8   GLOSSARY

- **Semantic Generalisation:** Semantic generalisation is a particular class of stimulus generalisation in which the generalisation process occurs through the semantic characteristics of the stimuli. So a response previously conditioned to the word "wildcat" may be elicited by the word "tiger"

- **Rule-based learning:** Rule-based machine learning (RBML) is a term in computer science intended to encompass any machine learning method that identifies, learns, or evolves 'rules' to store, manipulate or apply.

- **Observational learning:** Observational learning is learning that occurs through observing the behaviour of others. It is a form of social learning which takes various forms, based on various processes.

- **Absolute threshold:** The minimal level of stimulus intensity needed to detect a stimulus.

4.9   SUGGESTED READINGS

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PERSONALITY AND LIFE STYLE: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOUR

STRUCTURE

5.1   Introduction

5.2   Objectives

5.3   Personality

    5.3.1   Main Characteristics of Personality

    5.3.2   Theories of Personality

    5.3.3   Important Traits of Personality

    5.3.4   Types of Personality

5.4   Life Style

    5.4.1   Below Will Be Some Examples of why Lifestyle is an Important Aspect to Consider

    5.4.2   Consumers Classification based on Two Major Dimensions

    5.4.3   Characteristics of Lifestyle

    5.4.4   Activities, Interests and Opinions [AIO] Model

5.6   Let Us Sum Up

5.7   Check Your Progress

5.8   Glossary

5.9   Suggested Readings

5.1 INTRODUCTION

"Personality is the supreme realisation of the innate habit of a living being. It is an act of high courage flung in the face of life, the absolute affirmation of all that constitutes the individual, the most successful adaptation to the universal condition of existence coupled with the greatest possible freedom for self-determination." We cannot define Personality very easily. Basically, 'personality' refers to our attempts to capture or summarise an individual's 'essence'. Personality is the science of describing and understanding persons. Clearly, personality is a core area of study for psychology, if not the core. No two people are exactly the same - not even identical twins. Some people are anxious, some are risk-taking; some highly-strung; some are confident, some shy; and some are quiet and some are loquacious. This issue of differences is fundamental to the study of personality.

Consumer behaviour is a central topic in marketing behaviour and depends on consumer's personality and life style. We can understand it better by understanding the whole concept of personality and life style.

5.2 OBJECTIVES

After reading this lesson you would be able:

- To comprehend the concept of personality.
- To understand the features and types of personality.
- To know about how different life styles influences consumer behaviour.

5.3 PERSONALITY

Person always try to blame on any of two traits for his behaviour.

(1) **Internal traits:** In this traits if person believe that whatever he/she is doing only because he want to do it or he couldn't do it because he was not able to do it.

(2) **External traits:** In this traits person always tend to blame external factors for his/her behaviour. He thinks that what he is doing is only because his surrounding is making him to do this and if he fails to do something, it is only because his surroundings was not in his favour.

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Personality refers to a person's unique psychological makeup and how it consistently influences the way a person responds to her environment. In other words personality made up from the sum of characteristic such as thoughts, behaviours and feelings by which a person can be unique or different from others. Personality takes place in the human and remains almost consistent throughout life.

5.3.1 Main Characteristics of Personality

There are mainly four characteristics of personality. They are as under.

- **Consistency:** there is usually identifiable order and constancy to behaviours. Generally people behave same ways in different situations.

- **Psychological and physiological:** personality is a psychological creation, but it is also influenced by natural process and requirements.

- **Impact behaviours and actions**: Personality influences how we shift and take actions in different situations as well as it make us to behave in particular way.

- **Multiple expressions:** personality is not demonstrated only by behaviour but it can also be demonstrated by our feelings, thoughts regarding particular subject, close relationship and other social connections.

5.3.2 Theories of Personality

There are five important theories existing in the literature. They are:

I. **Biological Theory-** This theory was developed by Hans Eysenck. Different aspects of personality were linked with biological process by him. He believed that a person who is introverts has high level of cortical which leads him to avoid stimulations and on the other hand the person who is extroverts has low level of cortical arousal which makes him to find out stimulating practices. According to this theory genetics are accountable for personality. Our physical characteristics such as our body type, eye colour, height, hair colour, and general looks are mainly determined by biological components. These physical characteristics play an important role in our personality. Yes, I do believe that the environment

play an important role in human development, such as a person be a introversion or extroversion but it is also true that biological links also have effects on it. For example, if a person has an attractive look then his look can be a motivation for him to be a confident and extroversion. On the other side, the person who has ugly look usually feel shy from being with other people and stay introversion.

II. **Behavioural Theory-** This theory was developed by B. F. Skinner. According to this theory personality is a result of connection between individual and surroundings. Surroundings have a big effect on building a personality of a person. Every person is different according to the surrounding he tends to dissolve himself into the atmosphere, thus resulting in a different personality. For example, we define two people, one from well to do educated family and the other is from slum. The one born and brought up in an educated family was been feed up in a golden spoon by educated well manners and sophisticated surroundings and thus helped him to build an attractive personality. On the other hand, the one from slum was not been taken care by his parents due to financial issues and was not able to get a good education which lead him to get in contact with people who were ill-mannered, uneducated and unsophisticated. This was the biggest drawback of his personality building the other way round.

III. **Psychodynamic theory-** This theory was developed by Sigmund Freud. According to this theory personality is influence of the unconscious brain and childhood experiences. Dynamic psychology can be defined as the interrelationship mind and personality. According to Freud there are main three components of personality. (1) ID: Id is the storage of all needs and wants. By which we know that what kind of we need want to satisfy first and how we want to satisfy it. (2) The ego: – ego is similar to the administrative and it has a conscious control to us. It monitors us internally. It efforts to stabilizes the hasty requirements of the id with the superego and actuality – it is the preventing influence. (3) The superego: superego is for internal expressions of principles or moral values. Every person has a positive psychology and a negative psychology. The person's

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personality influenced by the conscious and unconscious influences. Every person has their own past experiences and unique history which impact on shaping their different personalities. For example, a small girl seeing her parents fighting every day, which leads to her angry, disturb and introversion personality. This is the result of anger in her unconscious mind.

IV.   **Humanist Theory-** This theory was influenced by Carl Rogers and Abraham Maslow. According to this theory free motivations and individual practices are important in development of personality. This theory gives importance to the concept of self actualization, which is necessary for personal growth and motivates human behaviour. According to this theory, the person's one-sided view is more important than the idea as a whole in building his personality. Only a person chooses what they do in spite of the environmental factors. The way different person make different choices, build up different personality. This theory gives more importance to the self concept in building a personality of a person. It gives more importance to goodness of human beings. Every person have different level of self esteem and according to that level they all give different preferences to different things from beginning which make them behave differently.

V.   **Trait Theory** (five factors theory of personality**) -** This is very important theory for personality. According to this theory, personality is a result of many traits together. Here traits mean constant characteristics which lead an individual to act certain ways.

5.3.3   Important Traits of Personality

There are mainly five core traits which interact and play an important role to form human personality. These are:

1.   **Extraversion or surgency:** this trait make different personality by identifying either the person is talkative, assertive, and highly active or the person is silent, passive and reserved.

2.   **Agreeableness or pleasantness:** this trait make different personality by

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identifying either the person is kind, trustworthy, and warm or he is hostile, selfish, and not trustworthy.

3. **Conscientiousness or dependability:** this trait make different personality by identifying either the person is well organised, careful, and reliable or he is careless, negligent, and unreliable.

4. **Neuroticism or emotional:** trait make different personality by identifying either the person is nervous, moody, and temperamental or he is confident, stable and predictable.

5. **Openness or intellect:** according to the theory we can find different personality by contrasting person's imagination, creativity and curiosity with shallowness and imperceptiveness.

After identifying all the above traits of personality we can identify the personality of a particular person.

5.3.4 Types of Personality

There are mainly five personalities by which we can differentiate a person.

1. **The overbearing type:** This personality includes the person with deep look of worry that spoil their eyes, which is frequently attended by knitted eyebrows and an ever ready snoozing head while talking to seniors. These people desire to impress themselves on other people in different situations and are constantly show up with full of ideas. Connecting the values and traits got at birth from their identical overbearing grandmothers, they desire to show themselves correct every step of the way. The category which would make that would make excited beaver appear similar to lazy sloths, they unlock the gate one step advance then chance can knock on it. Hence, although they may be a precious talent in an office, always win the trust of bosses and seniors.

2. **The Pacific Type:** An ever enjoyable smile and light impressive eyes, come with 'ladies first' kind of rare-to-find-today character, polite with good manners domain a person in this category. We can characterize them by three 'C's – calm, composed and containing common sense. Although because of these personality traits they can be proved better husbands

than better boss. They have a rather laid back attitude, attend by a non-dominating nature yet in ownership of superior decision making skills, and would label a person as being the pacific type.

3. **The Insouciant Type:** If we see a person with a pensive appear in his eyes, and no attitude, then we can categorize that person as the insouciant type. This kind of people is effective listeners but sometimes it looks like they are listening, actually they might be dreaming or thinking something else. They are always seems half sleepy and lazy. They can't be proved important to their work.

4. **The Talkative Type:** These are the people who love to talk. It is hard to find the way to shut them up. We can put Lawyers, secretaries, mothers-in-law and all this kind of people to this category. This kind of people is least attractive and not effective to make new relations with others.

5. **The Jittery Type:** When we talk about jittery type people, we can say that nervousness is in their blood. They have shining eyes, trembling lips and an overall look show like that person has the secret knowledge of a huge future disaster.

The different five personality's person has different life style according to their personality. It is very important for marketers to understand different life style of people before they target any group for their product. But as it is very hard for marketers to recognise personality of a person as a whole, they always try to identify personality by using a person's "self concept". The reason is person's personality always interpreted by people with whom he/she is interacting, at the same time the person has his/her own image of his/her personality, called self concept which make a person to live particular life style. According to which a person make a purchase decisions. Therefore, it is very important for marketers to understand the concept of personality.

5.4 LIFE STYLE

The Lifestyle of individuals has always been of great interest to marketers. They deal with everyday behaviourally oriented facets of people as well as their feelings, attitudes, interests and opinion. A lifestyle marketing perspective

recognises that people sort themselves into groups on the basis of the things they like to do, how they like to spend their leisure time and how they choose to spend their disposable income. Life style has undergone changes in the last decades and considered as a personal variable known to influence the buyer decision process for consumers. Life style is a basic concept for understanding consumer behaviour, and demonstrating the characteristics that are more modernised than personality and more comprehensive than personal values. Lifestyle has a significant positive influence on purchase decision. Marketing stimulation and personal value also has a positive significant impact on the influence of purchase decision and brand selection.

People who are from the similar social class, culture or from same occupation may have very different lifestyles. In a current society, people are always free to select the set of activities they like to perform and the product and services they like to consume that define themselves and create a social identity they communicate to others. Life style is pattern or the way to live a life which a person decides according to his/her psychographics. In other words, life style defines a pattern of consumption that reflects a person's choices on how to spend his time and money. This pattern of consumption totally depends on three major AIO dimensions-activities, interest, and opinions. Consumer's lifestyle is influenced by demographic characteristics and values and also influence their perceived image of a store. The emphasis is on retail as a brand rather than retailers selling brands.

Therefore, In a purchase that requires a high level of involvement, such as a car, consumers will consider various choices and develop *beliefs* about each choice; then they develop feelings about the products (*affect*); and finally they act on the *behaviour* and decide to purchase, or not. Whereas with a behavioural influence, the customer will act first (purchase), then develop beliefs about their purchase and that leads to developing feelings about the product or service. Lifestyle also refers to the way consumers live and spend their time and money. It is determined by one's past experiences, innate characteristics and life situations. Lifestyle of a person is typically influenced by his/her needs, wants and motivations and also by external factors such as culture, family, reference

group and social class. It also involves his consumption pattern, his behaviour in the market place, practices, habits, conventional ways of doing things, allocation of income and reasoned actions. It reflects an individual's attitudes, values, interests and his view towards the society.

5.4.1 **Below Will Be Some Examples of why Lifestyle is an Important Aspect to Consider**

I.   **Social status :** Social status is one of the key elements to how and why people buy certain products and services. It affects the quality and quantity of what people buy. The rich have more money to spend on higher quality products. They may aim for brand names like Carla Zampatti and Valentino. Though the lower class will focus more on necessities and on buying one nice outfit, but then spend more on food and their home.

E.g.: If we compare the higher class and lower class in buying cars. The higher class have more money to spend, they think about style, brand, comfort, safety and anything that heightens their status. This might make them choose an Audi. But the lower class have less money to spend so need to focus on what's most important. They'll focus greater on safety and reliability, so they may end up buying an older Toyota Camry.

II.   **Product involvement** : People's lifestyle comes into play especially when they come to high involvement products. These products carry high risk, are complex or have high price tags. They may be a car, home or insurance policy. Lifestyle comes into play here. Take for example buying a home. Some people might be outdoorsy, love gardening and want quiet. Whereas, another couple may love fresh air, need a medium sized home and love the beach. Each will go through an extensive problem solving process in order to find their home. The first person might find a farm, and the other a beach shack. Everything a consumer buys will reflect their lifestyle in some shape or form.

III. **Activities :** The activities people undertake vitally determines how their money will be spent. For example: if a person is dedicated to the gym and works in a gym, then they're likely to spend most of their money on

gym clothes, weights, exercise machines and healthy food. For me I go to the gym a couple of times a week and work at David Jones. So part of my wardrobe consists of gym clothes, then the rest is black clothes for working, or clothes that I've purchased from work. Which I think a lot of people who work in retail could relate to.

IV. **Self-image :** Self-image is a strong aspect when thinking about how lifestyle affects purchases. The way someone feels they should look will strongly affect what they buy. Take for example a mum who may not always eat the best but feels that they're healthy and fit and enjoys coffee with the girls. These mums more likely to wear Lorna Jane. She can go from the gym or just home and go out, while feeling good about herself and staying stylish.

There are so many factors which can influence peoples buying habits, and lifestyle is definitely a strong one. How people want to look mixed with the amount of income they earn, defines how their spending habit form.

5.4.2 Consumers Classification based on Two Major Dimensions

I. **On the Basis of self-orientation :** According to different interest, activities and opinions that different people posses, there are classifications of eight groups based on two major dimensions: one is self-orientation and another is resources.

1. **Principle-oriented consumers:** These are the people who make their purchase decisions based on their views of the world. This kind of people always gives importance to their own choices and preferences. Their purchase decisions can be influenced by mainly advertisements or promotions. They make purchase decisions only based on their stimulations towards the products regardless the value of those products in others view. They are usually brand loyal people and hard to change their buying behaviour as it is not influenced by other people's opinions.

2. **Status-oriented buyers:** These are the people who make their purchase decisions based on the opinions and actions of other people. They tend to

change their choice based on the opinion of other people. For this kind of people it is very important to maintain certain status or image on other people's mind in their society. So, they give more importance to other people's view and value of products more than their own choice. For marketers it is very easy to target this kind of people as they tend to follow current trends.

3. **Action-oriented buyers:** These are the people who make their purchase decisions based on their wish for activity, diversity, and risk taking. This group of people are easy to target for new products. They are not steady in their purchasing behaviour pattern and their choice. It is hard to identify their buying behaviour as it is easily influenced by advertisements and promotional things but they keep changing their purchases depending on their requirements and wishes to use different products.

II. **On the Basis of Resources.**

We can further classify each orientation consumers into two categories.

1. One is those who have plentiful resources and another are those who have nominal resources. This classification depends on people's income level (high or low), as well as weather they have high or low level of education, health, energy, self confidence and other factors.

   Depending on all these factors people can be classified in two categories.

2. **Actualisers:** This group includes people having very high levels of resources. They can utilize their resources and can treat in any or all self-orientations.

3. **Strugglers:** This group includes people having low levels of resources to fulfil their wishes and to categorise themselves into any consumer orientation.

   Lifestyle is an important aspect when looking at consumer choices. Just because there may be two women with similar age and income, does not mean they're likely to purchase the same products. Thus, consumer life-styles and their impact on purchasing behaviour of consumers can help

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companies to gain a better understanding and planning on doing business in order to gain a strategic advantage and sustainability.

5.4.3 Characteristics of Lifestyle

- It is a group phenomenon i.e. It influences others in a social group.
- It influences all areas of one's activities and determines the buying behaviour of a person.
- It implies a central life interest – A person's main interest or profession is influenced by his core interests e.g. Food, Fashion, Music etc.
- It is aûected by the social changes in the society-A person's standard of living and quality of lifestyle increases with the increase in the standards and quality of the society he/she lives in.

Lifestyle of a consumer depends upon various factors and any change in one of these factors leads to a change in the behaviour of the consumer. These factors are; age, income, occupation, culture, education, social group, buying power.

5.4.4 Activities, Interests and Opinions [AIO] Model

The products we consume are a part of our lifestyle. Therefore, our lifestyle can be determined on the basis of our consumption pattern. Lifestyle segmentation is based on activities, interests and opinions of a group. Marketers use the AIO Model to find out about the lifestyle of the consumers.

- Activities – How one spends his/her time

  Interests – A person's priorities and preferences make up their interest

  Opinions – One's Feeling towards different events in life

- **Activities**: Activities focus on someone's daily routine and hobbies. A person who rides his bicycle to work and plays sports on the weekends likely has different purchasing patterns than an employee who drives a car to work and watches a lot of movies. Club memberships, entertainment choices, vacations and social events can give marketers clues about a consumer's activities.

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- **Interests**: A person's interests reveal concepts and ideals that drive his passions. A mother of three may list family, cooking, crafts and toys as interests on a survey. Interests may also include hobbies, affiliations and pastimes. A consumer may have varied interests, such as coin collecting, model shipbuilding, gardening and fishing.

- **Opinions**: Everyone has opinions, and consumers are no different. Marketers would like to know people's opinions about movies, public figures, politicians, actors and television shows. Marketing agencies also need to know consumers' opinions about brands, products and stores. AIO aims to create a psychographic profile of a consumer, with a goal of targeting advertising to various types of people.

Activities, Interests and Opinions (AIO) (*Example*)

Demographics identify a buyer based on age, income, marital status and other physical characteristics. Psychographics attempt to determine why a consumer buys a certain product. As an example, a person's psychographic profile may indicate that he enjoys an active lifestyle, purchases higher-quality items, finds fulfilment in family time, and spends a lot of time on social media.

One traditional method of compiling a psychographic profile is through a survey. A marketing department uses a survey to get a sample size of a certain segment of the population. Larger sample sizes lead to more accurate and precise marketing tools. Companies can also employ Web analytics to find AIO characteristics. The types of websites a person uses can lead to special offers and bargains on all kinds of products. Someone who surfs on a baby-name website might find banner advertisements for baby products on a subsequent Web search.

5.5   LET US SUM UP

The term lifestyle can denote the interests, opinions, behaviours, and behavioural orientations of an individual, group, or culture. Knowledge of the lifestyle of target consumers provides businesses with a variety of ideas for developing their advertising strategies. The ultimate objective of these strategies

is to persuade people to assume behaviour patterns that are typical of their lifestyles.

Due to the fast development of information, consumers "lifestyles have changed drastically. Consumers" lifestyles are closely associated with their behaviours. Therefore, consumers "lifestyles are focuses of enterprises and also forecast consumers" behavioural models and product preferences to ultimately win more customers in their competitive markets.

Understanding consumer life-styles and value orientations in any areas can be very useful in profiling an individual consumer and targeting consumer groups for marketing planning purposes. Each group has its own unique demographic, socio-economic, and behavioural characteristics.

Our lifestyle is the consistent pattern of our life and personality influences how we live and what things are important to us as we live our life, every day. And it reflects our personality, your attitudes, your values, your beliefs, your worries/challenges, your overall outlook on life, and our habits of consumption. It's all part of our style of living.

The Pew Research Centre's Social & Demographic Trends project recently reported these US trends in lifestyles:

- No reversal in the decline of marriage.
- Racial/ethnic minority groups becoming new "majority."
- Record number of young adults finishing both high school and college.
- More Americans worrying about financing retirement.

Pay attention to marketing communications messages and you will be able to spot many of these trends as they are reflected in marketer's appeals to consumers.

5.6 CHECK YOUR PROGRESS

Q1. Define personality.

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Q2. Describe the nature and development of personality.

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Q3. Outline Freudian personality theory and the corresponding stages of development. Also discuss neo-Freudian personality theory and trait theory.

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5.7   GLOSSARY

- **Personality:** An internal characteristic that determines how individuals behave in various situations.

- **Lifestyles:** People's patterns of behaviour.

- **Trait**: A distinguishing quality or characteristic, typically one belonging to a person.

- **External, or extrinsic Motivation:** The performance of an activity in order to attain an outcome, which then contradicts intrinsic motivation.

- **Intrinsic Motivation:** The incentive to undertake an activity based on the expected enjoyment of the activity itself, rather than external benefits that might result.

5.8   SUGGESTED READINGS

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UNIT-II	LESSON NO. 6

ATTITUDE AND MOTIVATION: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOUR

STRUCTURE

6.1   INTRODUCTION

Motivation, personality and emotion are all influential factors that affect consumer decision making and also marketing strategies. In order to better understand the buying habits of consumers these three elements are important to recognise. Motivation can be described as an "energising force" (Hawkins & Mothersbaugh, 2010) that activates certain behaviours that in turn provides purpose and direction to these behaviours. In other words it is seen as the processes that lead to certain behaviours. It can answer the question "why" consumers engage in a specific manner. Attitude is a consumer's favourable and unfavourable emotional condition or emotional feeling, also its tendency of reaction to certain actions and behaviours. Beliefs of people that are the belief that people assume the products to be as make the specifications of the products. Hence attitude and beliefs are also important and need to be taken into consideration while studying human behaviour. Psychological factors such as consumer motivation, perception and attitude are believed to be the main decider of consumer purchasing decision. Those psychological factors will process all the stimulators from the marketers then affect the entire consumer decision-making process.

6.2   OBJECTIVES

After going through this lesson, you would be able to:

- Describe attitude in terms of its four elements.

- Discuss the structural models of attitude: tri-component, multi-attribute, trying-to-consume, and attitude-toward the-ad.

- Understand positive and negative motivation.

- Explain the motivation process.

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6.3   ATTITUDE AND CONSUMER BEHAVIOUR

We can say that attitudes are knowledge and positive and negative feelings about an object or activity. It maybe tangible or intangible, and living or non-living. Generally it seen that attitudes drive perceptions. We learn attitudes through experience and interaction with other people. Consumer attitudes toward a firm and its products greatly influence the success or failure of the firm's marketing strategy. For instance, Honda says, "You meet the nicest people on a Honda", dispelling the unsavory image of a motorbike rider, in the late 1950s. Changing market of the 1990s, baby boomers aging, and Hondas market returning to hard core. To change this they have a new slogan "Come ride with us". Attitudes and attitude change are influenced by consumer's personality and lifestyle.

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

Attitudes are defined as a mental predisposition to act that is expressed by evaluating a particular entity with some degree of favour or disfavour. The value of attitude in marketing can be explained in terms of its importance in prediction, diagnostic value and also as relatively inexpensive information that is easily obtained.

6.3.1 Models of Attitude

We will now look at the various models of attitudes. But before looking at these models, we have to understand the fact that many a times our attitudes depend on the situations. To understand the relationships between attitudes and behaviour, psychologists have tried to develop models that capture the underlying dimensions of attitude. To serve this purpose, the focus has been on specifying the composition of an attitude to better explain or predict behaviour. The following section describes some important attitude models like *tri component attitude model*, the *multi attribute models*, the *trying to consume model*, and the *attitude-toward-the-ad model*.

6.3.2 Tri component Attitude Model

According to the tri component attitude model, attitude consists of three major components, viz., a cognitive component, an affective component, and a conative component.
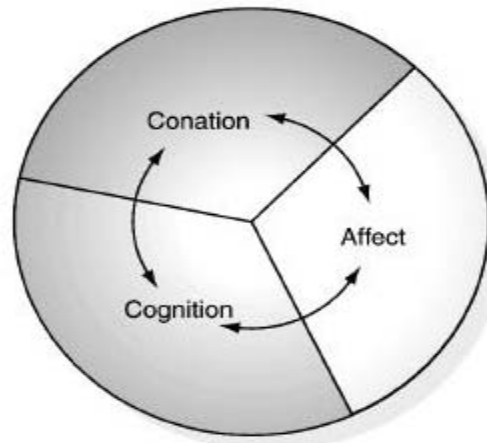
a) **The cognitive component:** Consists of a person's cognitions, i.e., knowledge and perceptions (about an object). This knowledge and resulting perceptions commonly take the form of beliefs, images, and long-term memories. A *utility function* representing the weighted product of attributes and criteria would be used to develop the final ranking and thus choice. This model represents the process used by individuals with a strong Thinking Cognitive Style.

b)   **The affective component:** The affective component of an attitude comprises of the consumers emotions or feelings (toward an object). These emotions or feelings are frequently treated by consumer researchers as primarily evaluative in nature; i.e., they capture an individual's direct or global assessment of the attitude-object, which might be positive, negative, or mixed reaction consisting of our feelings about an object. Buying of any product or service would be accomplished on the basis of how each product/ service makes the decision maker feel. The product that evokes the greatest positive (pleasurable) affective response would thus be ranked first. The affective response may be derived through

association (i.e, category attributes) or directly attributed to the interaction between the product or service and the decision maker. It is believed that the manner in which the product/service affirms or disaffirms the self concept of the decision maker has a strong impact to the decision maker's affect response to the candidate. This model represents the process used by individuals with a strong Feeling Cognitive Style. Ordering of the three job candidates would be accomplished on the basis of how each candidate makes the decision maker feel. The candidate that evokes the greatest positive (pleasurable) affective response would thus be ranked first. The affective response may be derived through association (i.e, category attributes) or directly attributed to the interaction between the candidate and the decision maker. It is believed that the manner in which the candidate affirms or disaffirms the self concept of the decision maker has a strong impact to the decision maker's affect response to the candidate.

c)   **The conative component:** The conative component is concerned with the likelihood or tendency of certain behaviour with regard to the attitude object. It would also mean the predisposition or tendency to act in a certain manner toward an object.

6.3.3 Multiattribute Attitude Models

Multi attribute attitude models portray consumers' attitudes with regard to an attitude "object" as a function of consumers' perceptions and assessment of the key attributes or beliefs held with regard to the particular attitude "object". The three models, which are very popular, are: the attitude-toward-object model, the attitude-toward-behaviour model, and the theory of- reasoned-action model.

1.   **Attitude toward object model.** The attitude-towards object model is suitable for measuring attitudes towards a product or service category or specific brands. This model says that the consumer's attitude toward a product or specific brands of a product is a function of the presence or absence and evaluation of certain product-specific beliefs or attributes. In other words, consumers generally have favourable attitudes toward those brands that they believe have an adequate level of attributes that

they evaluate as positive, and they have unfavourable attitudes towards those brands they feel do not have an adequate level of desired attributes or have too many negative or undesired attributes. For instance, *you may like BMWs.*

2. **Attitude toward behaviour model:** This model is the individual's attitude toward the object itself. The crux of the attitude-towards-behaviour model is that it seems to correspond somewhat more closely to actual behaviour than does the attitude-toward-object model. So taking on from liking a BMW, we may say you are not ready to buy/drive one because you believe that you are too young/old to do so

3. **Theory of reasoned-action-model:** This model represents a comprehensive integration of attitude components into a structure that is designed to lead to both better explanations and better predictions of behaviour. Similar to the basic tri component attitude model, the theory-of-reasoned-action model incorporates a cognitive component, an affective component, and a conative component; however these are arranged in a pattern different from that of the tri component model.

6.3.4 Theory of Trying to Consume :

The theory of trying to consume has been designed to account for the many cases where the action or outcome is not certain, but instead reflects the consumer's attempts to consume or purchase. In such cases there are often personal impediments and/or environmental impediments that might prevent the desired action or outcome from occurring. Here again, the key point is that in these cases of trying, the outcome is not, and cannot be assumed to be certain. The focus here is the "trying" or seeking part, rather than the outcome (consumption)

6.3.5 Attitude-toward-the-ad models :

The gist of this model can be explained by the following:

1) Normally, if you like an ad, you are more likely to purchase the advertised brand.

2)   For a new product/brand, an ad has a stronger impact on brand attitude and purchase intention.

6.4   MOTIVATION AND CONSUMER BEHAVIOUR

Motivation is an internal state that drives us to satisfy needs. Motivation is the energising force that activates behaviour. Once we recognise that we have a need, a state of tension exists that drives the consumer to the goal of reducing this tension and eliminating the need. Consequently, only unmet needs motivate.

According to Maslow's hierarchy of human needs, for each need there are positives gained and negatives that are avoided by meeting that particular set of needs. Products that are purchased because of a need will satisfy a goal and avoid unwanted consequences. For example, people need to feel secure so they purchase smoke detectors, therefore gaining protection and avoiding loss and fear of fire.

Need	Gained	Avoided
Self-Actualisation	Creativity, accomplishment	Unfulfilled potential
Esteem	Pride, recognition, prestige	Failure, inadequacy
Social	Acceptance, popularity	Rejection, embarrassment
Security	Safety, protection	Loss, danger, fear
Physiological	Health, comfort	Sickness, discomfort
Positives and Negatives for Each Need (Based on Maslow)		

6.4.1   Reasons Why Consumers are Motivated to Make Purchases

According to McGuire, these motives are:

1.   **Psychological motives:** People have a basic desire to have all parts of them consistent and they purchase products that fulfil this need. People that listen to country music will purchase products like cowboy boots, heavy duty trucks and pets.

2.   **Need for attribute causation:** People have the need to determine who or what causes things to happen to them. For example, some people choose to attribute it to themselves, fate or an outside force like God.

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3. **Need to categorise:** Categories allow people to process a large amount of information. Vehicles are categorized into cars, SUV's, light trucks, heavy duty trucks, van, sporty, mid-size, hybrid, electric and so on. This helps consumers quickly narrow down their choices when purchasing a vehicle.

4. **Need for cues:** Most people will view others' behaviour and infer what they feel and think. Clothing plays an important role in presenting image of a person. People quickly judge others by the clothing they are wearing and the vehicle they drive.

5. **Need for independence:** Americans strive for individuality and self-expression and many products are marketed as "limited edition" or being different and unique.The Japanese culture discourages individuality and focuses on affiliation, and behaviour that enhances family and culture.

6. **Need for self-expression:** Americans are known for letting others know who and what they are by their extravagant purchases, especially clothing and cars. Who really needs a $1,200 pen? What is that saying about that person?

7. **Need for ego-defence:** The need to defend your identity. An insecure customer will purchase well-known brand names for fear of being labelled socially incorrect.

8. **Need for reinforcement:** People are motivated to act because they are rewarded for doing it. For example, showing off a new diamond ring to your friends creates acceptance and approval.

9. **Need for affiliation:** Affiliation is the need to develop mutually helpful and satisfying relationships with others, which is a critical part of all people's lives.

10. **Need for modeling:** Conformity and the need to base behaviour on that of others. This is the major motivation of children, teens (8-12 year olds), and especially teenagers-and in their social world conformity mean acceptance.

11. **Need for novelty:** People have variety seeking-behaviour and this may be a reason for brand switching and impulse buys, but that depends on the person. People experiencing rapid life changes will seek stability, while people in stable life situations will seek change. The travel industry uses this by changing up their ads and showing adventure vacations where people are actively having fun and some ads showing relaxing vacations where people are swinging in a hammock.

12. **Need for Assertion:** Customer's need to engage in activities that will increase self-esteem and self-esteem in the eyes of others. Most consumers respond positively to ads that appeal to this need. In an advertisement for a ladies razor, it will say "show off your beautiful legs to your man," this will appeal to women by showing that the product increases your self-esteem.

6.4.2 Basics of Motivation

I. Needs :

Needs are the essence of the marketing concept. Marketers do not create needs but can make consumers aware of needs. A need is something that is necessary for humans to live a healthy life. Needs are distinguished from wants because a deficiency would cause a clear negative outcome, such as dysfunction or death. Needs can be objective and physical, such as food and water, or they can be subjective and psychological, such as the need for self-esteem. On a societal level, needs are sometimes controversial, such as the need for a nationalized health care system. Understanding needs and wants is an issue in the fields of politics, social science, and philosophy.

Types of Needs

Innate Needs: Physiological (or biogenic) needs that are considered primary needs or motives

Acquired Needs: Learned in response to our culture or environment. Are generally psychological and considered secondary needs

II. Goals :

A goal or objective is a projected state of affairs that a person or a system

plans or intends to achieve-a personal or organisational desired end-point in some sort of assumed development. It is the sought-after results of motivated behaviour.

Types of goals:

Generic goals: are general categories of goals that consumers see as a way to fulfil their needs.

Product-specific goals: Are specifically branded products or services that consumers select as their goals.

III.   Positive and negative motivation:

Positive motivation is a response which includes enjoyment and optimism about the tasks that you are involved in. Positive motivation induces people to do work in the best possible manner and to improve their performance. Under this better facilities and rewards are provided for their better performance. Such rewards and facilities may be financial and non-financial.

Negative motivation aims at controlling the negative efforts of the work and seeks to create a sense of fear for the worker, which he has to suffer for lack of good performance. It is based on the concept that if a worker fails in achieving the desired results, he should be punished. Negative motivation involves undertaking tasks because there will be undesirable outcomes, e.g. failing a subject, if tasks are not completed.

Almost all students will experience positive and negative motivation, as well as loss of motivation, at different times during their life at University.

Both positive and negative motivation aim at inspiring the will of the people to work but they differ in their approaches. Whereas one approaches the people to work in the best possible manner providing better monetary and non-monetary incentives, the other tries to induce the man by cutting their wages and other facilities and amenities on the belief that man works out of fear.

IV.   Rational versus Emotional Motives

Rationality implies that consumers select goals based on totally objective criteria such as size, weight, price, or miles per gallon. A conscious, logical

reason for a purchase. A motive that can be defended by reasoning or logical argument.

Emotional motives imply the selection of goals according to personal or subjective criteria. A feeling experienced by a customer through association with a product.

6.4.3 Model of the Motivation Process

The motivational process is the steps that you take to get motivated. It is a process, that when followed produces incredible results. It is amazing what you can do if you are properly motivated, and getting properly motivated is a matter of following the motivational process. Like any other process it takes a little work and foresight and planning on your part. However, the return on your investment of time is significant, and it is important when needing extra motivation that you apply the motivational process.

PROCESS OF MOTIVATION
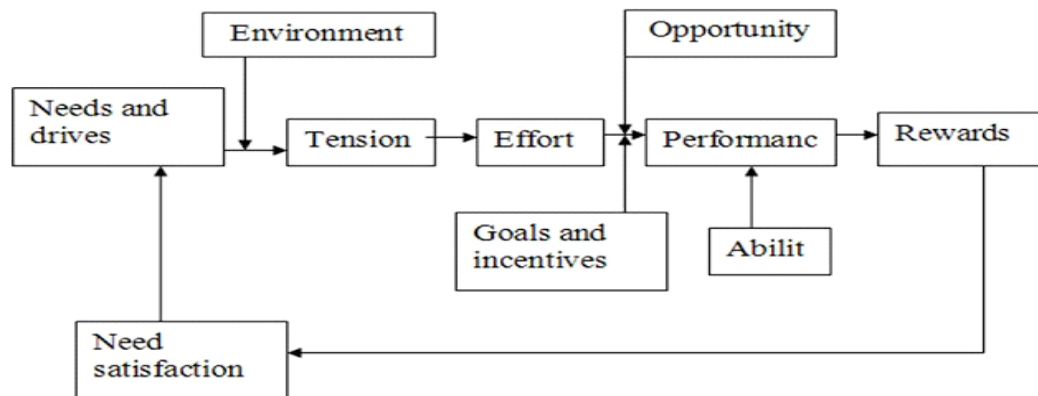
In the initiation a person starts feeling lacknesses. There is an arousal of need so urgent, that the bearer has to venture in search to satisfy it. This leads to creation of tension, which urges the person to forget everything else and cater to the aroused need first. This tension also creates drives and attitudes regarding the type of satisfaction that is desired. This leads a person to venture into the search of information. This ultimately leads to evaluation of alternatives where

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the best alternative is chosen. After choosing the alternative, an action is taken. Because of the performance of the activity satisfaction is achieved which than relieves the tension in the individual.

6.4.4 Arousal of Motives

The arousal of any particular set of needs at a specific moment in time may be caused by internal stimuli found in the individual's physiological condition, by emotional or cognitive processes or by stimuli in outside environment.

i. **Physiological Arousal:** Bodily needs at any one specific moment in time are based on the individual physiological condition at the moment. Eg. A drop in blood sugar level or stomach contractions will trigger awareness of a hunger need. Eg. A decrease in body temperature will induce shivering, which makes individual aware of the need for warmth this type of thing, they arouse related needs that cause uncomfortable tensions until they are satisfied. Eg., Medicine, low fat and diet

ii. **Emotional Arousal:** Sometime daydreaming results in the arousal (autistic thinking) or stimulation of latent needs. People who are board or who are frustrated in trying to achieve their goals or often engage in daydreaming, in which they imagine themselves in all sorts of desirable situations. Ex. A young woman who may spend her free time in internet single chat room.

iii. **Cognitive Arousal:** Sometime random thoughts can lead to a cognitive awareness of needs. An advertisement that provides reminders of home might trigger instant yearning to speak with ones parents.

iv. **Environment Arousal:** The set of needs an individual experiences at particular time are often activated by specific cues in the environment. Without these cues the needs might remain dormant. Ex. The 8'o clock news, the sight or smell of bakery goods, fast food commercials on television, all these may arouse the need for food Ex. New cell phone model display in the store window.

6.4.5 Motivation theories and marketing strategy: Abraham Maslow's Need Hierarchy Theory

One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

As per his theory these needs are:

(i) **Physiological needs:** These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.

(ii) **Security or Safety needs:** These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

(iii) **Social needs:** Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

(iv) **Esteem needs:** According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

(v) **Need for self-actualisation:** Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming; it includes growth, achieving one's potential and self-fulfilment. It is to maximise one's potential and to accomplish something.

As each of these needs are substantially satisfied, the next need becomes dominant. From the standpoint of motivation, the theory would say that although no need is ever fully gratified, a substantially satisfied need no longer motivates. So if you want to motivate someone, you need to understand what level of the hierarchy that person is on and focus on satisfying those needs or needs above that level.

Maslow's need theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and ease of understanding. However, research does not validate this theory. Maslow provided no empirical evidence and other several studies that sought to validate the theory found no support for it.

Application of Maslow's hierarchy of needs in marketing

To help with training of Maslow's theory look for Maslow's Hierarchy of Needs motivators in advertising. This is a great basis for Maslow and motivation training exercises:

Biological and Physiological needs - wife/child-abuse help-lines, social security benefits, Samaritans, roadside recovery.

Safety needs - home security products (alarms, etc), house an contents insurance, life assurance, schools.

Belongingness and Love needs - dating and match-making services, chat-lines, clubs and membership societies, Mac-donalds, 'family' themes like the old style Oxo stock cube ads.

Esteem needs - cosmetics, fast cars, home improvements, furniture, fashion clothes, drinks, lifestyle products and services.

Self-Actualisation needs - Open University, and that's about it; little else in mainstream media because only 2% of population are self-actualisers, so they don't constitute a very big part of the mainstream market.

Self actualisa-tion
Esteem needs
Social needs
Security and safely needs
Physiological needs

6.4.6   Marketing Strategies Based on Motivation Conflict

With (he many motives consumers have and the many situations in which these motives are activated, (here are frequent conflicts between motives. The resolution of a motivational conflict often affects consumption patterns. In many instances, the marketer can analyze situations that are likely to result in a motivational con-flict, provide a solution to the conflict, and attract the patronage of those consumers facing the motivational conflict. There are three types of motivational conflict of importance to marketing managers:

- Approach-Approach Conflict
- Approach-Avoidance Conflict
- Avoidance-Avoidance Conflict

Approach-Approach Motivational Conflict A consumer who must choose between two attractive al-ternatives faces approach-approach conflict. The more equal this attraction, the greater the conflict. A con-sumer who recently received a large cash gift for graduation (situational variable) might be ton) between a trip to Hawaii (perhaps powered by a need for stimulation) and a new mountain bike (perhaps driven by the need for assertion). This conflict could be

resolved by a timely advertisement designed lo encourage one or the other action. Or a price modification, such as "buy now, pay later." could result in a resolution whereby both alternatives are selected.

Approach-Avoidance Motivational Conflict A consumer facing a purchase choice with both positive and negative consequences confronts approach-avoidance conflict. A person who is concerned about gain-ing weight yet likes snack foods faces this type of problem. He or she may want the taste and emotional sat-isfaction associated with the snacks (approach) but does not want lo gain weight (avoidance). The develop-ment of lower-caloric snack foods reduces this conflict and allows the weight-sensitive consumer to enjoy snacks and also control calorie intake.

Avoidance-Avoidance Motivational Conflict A choice involving only undesirable outcomes produces avoidance-avoidance conflict. When a consumer's old washing machine fails, this conflict may occur. The person may not want to spend money on a new washing machine, or pay to have the old one repaired, or go without one. The availability of credit is one way of reducing this motivational conflict. Advertisements em-phasizing the importance of regular maintenance for cars, such as oil tiller changes, also use this type of mo-tive conflict: "Pay me now. or pay me (more) later."

6.5   LET US SUM UP

We as individuals learn attitudes through experience and interaction with other people. Our attitudes toward a firm and its products as consumers greatly influence the success or failure of the firm's marketing strategy. Attitudes and attitude change are influenced by consumer's personality and lifestyle. Consumers screen information that conflicts with their attitudes. We distort information to make it consistent and selectively retain information that reinforces our attitudes, in other words, brand loyalty.

Marketers are interested in the beliefs that people have about specific products and services. Beliefs reinforce product and brand images. People act on beliefs. If unfounded customer beliefs deter purchases marketers will want to do a campaign to change them.

People are motivated by many things, some positive others not. Some motivating factors can move people only a short time, like hunger which will last only until you are fed. Others can drive a person onward for years.

Motivation is the driving force within individuals that impels them to action. Motivation is the activation or energisation of goal-oriented behaviour. Motivation may be intrinsic or extrinsic. The term is generally used for humans but, theoretically, it can also be used to describe the causes for animal behaviour as well. According to various theories, motivation may be rooted in the basic need to minimise physical pain and maximise pleasure, or it may include specific needs such as eating and resting, or a desired object, hobby, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, morality, or avoiding mortality.

6.6   CHECK YOUR PROGRESS

Q1. How do attitudes and values affect consumer behaviour?

_____

_____

_____

Q2. What is motivation and how could it impact consumer behaviour?

_____

_____

_____

Q3. Why should marketers be interested in consumer behaviour?

_____

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_____

6.7   GLOSSARY

- **Attitude:** A relatively global and enduring evaluation of an object, issue, person, or action.

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- **Attitude persistence:** How long our attitude lasts.

- **Demand-shift:** Behaviours Activities that use more efficient energy sources.

- **Motivated reasoning:** Consumers process information in a way that allows them to reach a particular conclusion they want to reach.

- **Motivation:** An inner state of arousal that denotes energy to achieve a goal.

6.8   SUGGESTED READINGS

- Cases in Marketing Management, Brennan. R, Pitman;

- Marketing Management: The Millennium Edition, Kotler.P, Prentice – Hall

- Consumer Behaviour, Schiffman G.L and Kanuk L.L, Prentice- Hall Consumer Behaviour, Atul Kr Sharma, Global Vision Publishing House

- Consumer Behaviour, Raju M. S, Vikas Publishing House Pvt. Ltd.

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INFLUENCE OF FAMILY ON CONSUMER BEHAVIOUR

STRUCTURE

7.1   INTRODUCTION

What a consumer eats, wears, and believes are all learned and influenced by the culture they live in, their family, childhood and social environment. All of these are external factors that affect purchases. People are social and they want to belong to special groups. Group members share common interests, influence each other, and share rules and values. Primary groups are those which influence the most, such as family members; secondary groups have less interaction than the primary group, such as clubs and organisations. As children grow into teenagers, their parents become less of an influence and peer groups become more of an influence. All groups exert what is called *social power;* some groups have more power than others over consumers' decisions. External influences can also include situational influences, sometimes called atmospherics-sensory items in an environment that may change buying patterns, such as music, colour, smell, and lighting. If a store plays loud rock music, they may attract young adults, but drive away older consumers. Colour is a huge influence on behaviour, but is also dependent on culture, since different cultures perceive colours differently. In the US white is a colour worn at weddings, and in China, red is the colour of choice for weddings. Many bakeries will pump the smell of their treats outside the store, so that passersby will be more likely to want to come in.

Before making a purchase, consumers will go through an **external information search.** They will go through this search in order to evaluate the alternatives and narrow down their list of choices. It includes:

1.   Personal experience-have they purchased this product before? How do they feel about it?

2.   Websites/Internet search-researching the quality of the product.

3.   Knowledge-someone with little or no knowledge of the product will need lots of information!

4.   Friends/*reference groups*-consumers ask friends, family and co-workers about their experiences with the product.

Here is a list of the external factors influence consumer behaviour:

- Age

- Race

- Gender

- Education level

- Cross-cultural influences

- Sub-cultures (Hispanic-American)

- Social status (upper, middle, lower)

- Customs, Beliefs, Expectations, Traditions, Habits

- Reference groups are groups that have shared beliefs, interests and behaviours and influence a consumer's behaviour.

7.2   OBJECTIVES

After reading this lesson you would be able:

- To understand the external factors affecting consumer buying behaviour.

- To know about how family affect consumer purchasing decisions.

- To understand the concept of family life cycle.

7.3   EXTERNAL   INFLUENCES   ON   CONSUMER BEHAVIOUR

The environmental factors affecting consumer buying behaviour are explained below

At the time of purchasing a product or service, all of us are confronted with several external influences that involve our own culture, subculture, household structure and groups. These associations of individuals are known as external influences because source of influence usually occurs from exterior to an individual in spite of from his inside influences. External influences are also known as socio-cultural influences, as these grow from the individuals formal and informal relationships with his friends, family and other individuals.

Understanding of these external influences is essential to affect consumers

purchasing decisions. Although almost all above described external factors are essential to understand but the most important and fundamental external factor that influence consumer purchase decision is his/her culture that is as follows:

7.3.1 Cultural Influences

It is defined as a complex sum total of knowledge, belief, traditions, customs, art, moral law or any other habit acquired by people as members of society. Our consumer behaviour that is the things we buy are influenced by our background or culture. Different emphasis is given by different cultures for the buying, use, and disposing of products. People in South India have a certain style of consumption of food, clothing, savings, etc. This differs from the people in the North of India. Different cultures and habits are predominant in different parts of the world. Japanese have a different culture from that of USA, England or Arabian countries. Therefore, in consumer behaviour culture plays a very important part.

7.3.2 Sub-cultural Influences

Within a culture, there are many groups or segments of people with distinct customs, traditions and behaviour. In the Indian culture itself, we have many subcultures, the culture of the South, the North, East and the West. Hindu culture, Muslim culture, Hindus of the South differ in culture from the Hindus of the North and so on. Products are designed to suit a target group of customers which have similar cultural background and are homogeneous in many respects.

7.3.3 *Social Class*

By social class we refer to the group of people who share equal positions in a society. Social class is defined by parameters like income, education, occupation, etc. Within a social class, people share the same values and beliefs and tend to purchase similar kinds of products. Their choice of residence, type of holiday, entertainment, leisure all seem to be alike. The knowledge of social class and their consumer behaviour is of great value to a marketer.

7.3.4 *Social Group Influences*

A group is a collection of individuals who share some consumer relationship, attitudes and have the same interest. Such groups are prevalent in

societies. These groups could be primary where interaction takes place frequently and, consists of family groups. These groups have a lot of interaction amongst them and are well knit. Secondary groups are a collection of individuals where relationship is more formal and less personal in nature.

These could be political groups, work group and study groups, service organisations like the Lions, Rotary, etc. The behaviour of a group is influenced by other member of the group. An individual can be a member of various groups and can have varied influences by different members of groups in his consumption behaviour. An individual can be an executive in a company, can be a member of a political party. He may be a member of a service organisation and of entertainment clubs and study circles. These exert different influences on his consumption.

7.3.5 *Family Influence*

As has already been said, the family is the most important of the primary group and is the strongest source of influence on consumer behaviour. The family tradition and customs are learnt by children, and they imbibe many behavioural patterns from their family members, both consciously and unconsciously. These behaviour patterns become a part of children's lives. In a joint family, many decisions are jointly made which also leave an impression on the members of the family.

These days the structure of the family is changing and people are going in more for nucleus families which consists of parent, and dependent children. The other type of family is the joint family where mother, father, grandparents and relatives also living together.

7.3.6 *Personal Influences*

Each individual processes the information received in different ways and evaluates the products in his own personal way. This is irrespective of the influence of the family, social class, cultural heritage, etc. His own personality ultimately influences his decision. He can have his personal reasons for likes, dislikes, price, convenience or status. Some individuals may lay greater emphasis

on price, others on quality, still others on status, symbol, convenience of the product, etc. Personal influences go a long way in the purchase of a product.

7.3.7 *Other Influences*

Consumers are also influenced by national or regional events which could be like the Asiad, the Olympics, cricket test matches, World Cup, the war or a calamity. These leave permanent or temporary impressions on the mind of the consumer and affect his behaviour. In these events, products are advertised and sometimes the use of a product like drugs, etc. is discouraged. People are urged to adopt family planning methods. Situation variables such as product display, price reduction, free gifts and attractive offers also influence consumer behaviour.

7.4 INFLUENCE OF FAMILY ON CONSUMER BEHAVIOUR

Family is a social group. It is also an earning, consuming and decision-making unit. All purchases are influenced by family members. Family is a closely-knit unit, and the bonds in a family are more powerful than in other groups. A reciprocal influence operates in all family decisions. There are three main influences which are father, mother and other family members. Every member has his own motives, beliefs and predisposition to the decision process. Every member is influenced and influences other family members. There is a reciprocal influence exerted in the decision process other family members. It becomes important for a marketer to sort out all family influences, and formulate a strategy for effective marketing.

Father → Mother → Children
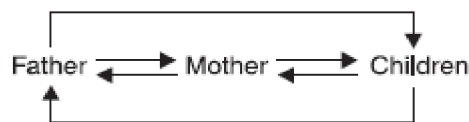
Reciprocal influences in a family

Consumer socialisation is the process by which young people acquire the skills, knowledge and attitudes relevant to their functioning as consumers. Interactions take place in a family which develops tastes, preferences, shopping styles, choice of clothes to wear. How much money to spend, where to buy from, what to use at which occasions. The figure shows how a consumer is socialised.

There are a number of background factors like the age, sex, social class, etc. Then there are the socialising agents from whom they learn. These are media, family members, peers and teachers.

These influence the learning mechanism and the result is a socialised consumer. Advertising and promotional activities have a strong influence on consumer socialisation. It can also be done by the family members through:

· *Instrumental training:* In this the parent teaches the children the value of food, which to consume which to keep away from. What choice is to be made for clothes, what products to refrain from. How to avoid dysfunctional behaviour.

· *Modeling:* When a child learns the behaviour by observing others. It can be consciously or subconsciously learnt. One such example is smoking.

· *Mediation:* To make the children realise the facts by discussion, or by demonstration, or by any other method available.
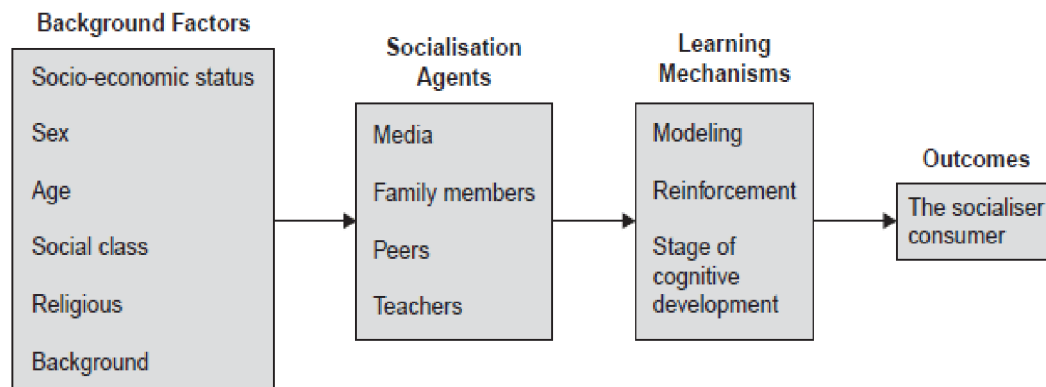
A model of consumer socialisation

Inter-generational Influences

By this we mean that children learn from their fathers and fore fathers. A child is influenced through generations, which develop religious and cultural values. The attitudes are developed towards sports, leisure, education, social life. This is known as the intergenerational carry over. Children learn to use products and services used by their family members, mostly parents and grandparents and some take pride in it too.

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- Husband-wife influence studies, classify consumer decisions as: Wife-dominant decisions, *e.g.,* food, purchase of groceries.

- Husband-dominant decisions, *e.g.,* automobiles, life insurance.

- Syncratic decisions (joint), *e.g.,* vacations, choice of schools for children. Automatic decisions

    Unilateral Decisions may either be:

Consensual: Everyone in the family may agree with the desired outcome.

Accommodative: Need conflict resolution by persuasion or bargaining.

Element of power within the family is obtained from:

Economic resources: Persons making greater economic contribution have more economic power.

Cultural norms: In a male dominated society husband has greater powers.

Expert power: More knowledge a person possesses. Husband may know more about cars wife may know more about household items.

Legitimate power: This depends on the role the family members play.

Bargaining power: Power through give and take method.

Reward/referent power: Giving rewards to others which are liked and appreciated.

Emotional power: Purchase decisions are influenced by emotions, sentiments and feelings of one partner.

7.4.1 Family Life Cycle and Buying Roles

It is important for a marketer to know the family structure and its consumption characteristics. He should be able to understand the family which is a subset of a household. A household is made up of persons who live and occupy a housing unit. These include both, nuclear and extended families. A household is a basic consumption unit for most consumable goods. Major items such as housing, automobiles, electrical appliances, washing machine, etc. are used more by households than individuals. In a household, many items can be

shared and possessed, whereas individuals sometimes do not posses many such items individually.

Family Types

1.   *Nuclear family:* It consists of two adults of opposite sex living in a socially approved relationship with their children. It consists of husband, wife and their offspring.

2.   *Joint family:* It includes a nuclear family and other relatives such as parents of husband/ wife, aunts, uncles, and grandparents, also.

7.4.2 Family Buying Influences

Family is a social group. It is also an earning, consuming and decision-making unit. All purchases are influenced by family members. Family is a closely-knit unit, and the bonds in a family are more powerful than in other groups. A reciprocal influence operates in all family decisions. There are three main influences which are father, mother and other family members. Every member has his own motives, beliefs and predisposition to the decision process. Every member is influenced and influences other family members. There is a reciprocal influence exerted in the decision process. It becomes important for a marketer to sort out all family influences, and formulate a strategy for effective marketing.

Consumer socialisation is the process by which young people acquire the skills, knowledge and attitudes relevant to their functioning as consumers. Interactions take place in a family which develops tastes, preferences, shopping styles, choice of clothes to wear. How much money to spend, where to buy from, what to use at which occasions. The figure shows how a consumer is socialised. There are a number of background factors like the age, sex, social class, etc. Then there are the socialising agents from whom they learn. These are media, family members, peers and teachers.

These influence the learning mechanism and the result is a socialised consumer. Advertising and promotional activities have a strong influence on consumer socialisation. It can also be done by the family members through:

(*a*)   *Instrumental training:* In this the parent teaches the children the value of food, which to consume which to keep away from. What choice is to be

made for clothes, what products to refrain from. How to avoid dysfunctional behaviour.

(*b*)   *Modeling:* When a child learns the behaviour by observing others. It can be consciously or subconsciously learnt. One such example is smoking.

(*c*)   *Mediation:* To make the children realise the facts by discussion, or by demonstration, or by any other method available.

Inter-generational Influences

By this we mean that children learn from their fathers and forefathers. A child is influenced through generations, which develop religious and cultural values. The attitudes are developed towards sports, leisure, education, social life. This is known as the intergenerational carry over. Children learn to use products and services used by their family members, mostly parents and grandparents and some take pride in it too.

7.4.3   Family Decision-making

In a family there is:

Instrument role: Taken by the head of the family for the achievement of special goals.

Expressive role: Undertaken by the wife and other family members to provide emotional support.

Important buying roles are:

1.   *The instigator* (initiator): Person who first suggests the idea of a product/ service and initiates the purchase process.

2.   *The influencer:* Person having direct/Indirect influences, on final purchase decision.

3.   *The decider:* Person who makes the final decision.

4.   *The purchaser* (buyer): Person who actually purchases the product, pays for it, takes it home.

5.   *The consumer:* User of goods/service.

Family Decision Stages

1.   Problem recognition

2.   Search for information

3.   Evaluation of alternatives

4.   Final decision

7.4.4   The Family life cycle Stages

1.   The bachelor stage- young and single.

2.   The newly married couples- young, no children.

3.   Full nest 1- young, married, with child.

4.   Full nest 2- older, married, with children.

5.   Full nest 3- older, married, with dependent children.

6.   Empty nest- older, married, with no children living with them.

7.   Solitary survivor- older, single, retired people.

1.   *The bachelor stage:* Young and single is characterised by being young which can stretch upto 35 years of age and not married. Some singles live with their family, others live independently. They have an average age of about 24 and are free from worldly cares, live an active and carefree life. They do not have financial obligations. They manage their affairs themselves, and are fond of sports and other recreational activities.

2.   *Newly married couples:* Young no children (empty nest). After getting married, the life style changes slightly. They lead a joint life style. They share new experiences and responsibilities. Start spending on furnishing and household goods. They also tend to have a dual income and spend heavily on outings, vacations, luxury, restaurants, meals, etc.

3.   *Full nest 1:* Young married with child. With the addition in family, purchases are concentrated on baby foods, clothings, medical care, health products. A change is brought about in the lifestyle and most activities revolve round the care of the child. Discretionary funds are also reduced.

4.   *Full nest 2:* Older married with children. More children lead to more

expenses. Children start going to school and there is more expenditure on books, stationery and college fees. Toys, bicycle, insurances also become a part of the expenses, parents start spending less on themselves.

5. **Full nest 3:** Older married with dependent children. Income is high at this stage. Parents grow older. They become experienced buyers and are less interested in new product purchases. Expenditure high due to replacement buying luxury products.

6. **Empty nest:** Older married with no children living with them. Financial position stabilises and there is no expense on children. The couple is free to enjoy their own pursuits and spend on luxury or self-improvement items and medical care.

7. **Solitary survivor:** Older single retired people. Retired people living alone after the death of a partner. Life becomes lonely and income may reduce due to retirement. This again changes the consumption pattern and living style of old people.

Another point to note, is that the family life cycle concept segments the families on the basis of demographic variables, and ignores the psychographic variables (families interest and opinions) of family members. Family life cycle is also related to the spare time and the available income, education, etc. A marketer has to take these elements into consideration. The stages at which families find themselves, affect the nature of the goods and services required, their wants and consumption patterns, as well as the volume of consumption on specific products.

The traditional view of the family life cycle has been criticised for failing to recognise that a single family unit may not exist throughout the life of an individual. Families may be created by second marriages, and these may involve children from prior marriages. The traditional model also ignores the existence of single parent households. The modern family life cycle which takes into account the existence of working women, is a more complex and more useful model than the traditional model.

7.4.5 Marketing Strategy for Family Decision-Making

It is realised that various purchasing tasks are performed by various members of the family. The products are bought for joint use of the family. Refrigerator, TV, sofa set, car, etc. The product is to be purchased by family funds where more than one person may be contributing to the fund. Sometimes the funds are not enough and other products may have to be sacrificed to own an expensive product. Some family members may not be agreeable to the choice made for the product, and may consider it as a profligate expenditure. These are the main influences in the family decision making, which are the outlets preferred by the family members for the purchase of the product. All the above considerations are important, and once all this is known strategy can be formulated in a better manner.

7.5   LET US SUM UP

Besides the internal factors, external factors also influence consumer behaviour. These factors are not individualistic and are external to the individual. These factors include culture, subculture, social class, reference group and family influences. They are associated with the groups that the individual belongs to and interacts with.

Family plays an important role in our most buying decisions. Our selections are based on several important considerations, many of which are influenced by our families. Whether it is your tie's colour or your favourite perfume, family and friends are bound to have a limited but certain influence on your choice. The influence of family remains throughout our lives from the time we are kids to the time we become grandparents. From the time others make purchases for us to the time we are self dependent and start making our own decisions, family's role is significant. It is just as inseparable from consumer behaviour as an individual from family.

Marketers also target families in their marketing and advertising campaigns. Particularly, it is true about the products where the entire family is involved in the buying decision. Moreover, there are several things that differ from family to family including preferences. While one family likes having a

small car, another one prefers a SUV. One would like holidaying in Manila, another in Dubai. Apart from it, there are also other factors that influence how a family makes its purchasing decisions. A family where the level of cohesion and communication between the members is high, buying decisions are made keeping others' preferences in mind. In case of families where the emotional bonding is low between the family members, buying decisions are less affected by group preferences. Individual members like to buy independently as per their individual choice. Apart from it, how flexible a family is regarding its power structure also affects the buying process. How much liberty parents provide their kids also affects buying decisions in the family.

Your role in the family has a significant influence on your preferences. Markets target these family roles to attract customers. There are product ads that target the new mothers or the newly wed. Marketers also target kids to persuade their parents to buy particular products. Toy ads generally target the kids and sometimes the parents. There are different tactics that are employed to target different family members. Apart from it, family roles related to buying decision making are also divided. Many times you may have initiated the discussion for a new product in your family at the dining table. Your elder brother must have supported you and helped your idea gain acceptance. He is acting as an influencer. The final decision makers are still the parents.

Many times your father may not be feeling convinced to make that purchase but your Mom convinced him that the entire family will love it so he must go ahead. Even the people who are not directly involved in the process play an important role in the decision making. They have an important role in the final purchase. Your younger brother who is under ten is not playing a direct role but is a consumer and therefore you make the decision on his part considering his choice too. Advertisements of cars and homes specifically target the entire family. Even household things like fridges, televisions, dishwashers have their ads targeted at families.

The family structure has changed a lot but the traditional large families are not yet dead. They are still in existence, however, their number has kept declining with time. Smaller families have increased in number. The marketers

have accordingly changed their targeting methods. At many points you do not even know how deeply your purchasing decision was influenced by your status in the family. Whether you were buying a surprise gift for your spouse or getting a new toy for your only child, family is always at the core of your buying decisions. Whether you are the shopper or just a consumer like other family members, your role in the family influences the final buying process. However, this does not mean that family is always at the centre of the buying decision. Your role in the society and at your workplace also influence your buying decisions. Your choice of your suit may be influenced more by your role as an executive rather than as a son or husband. So, not all your buying decisions are affected by the family but yet many of them are influenced by it. This influence may have declined with time but is far from being over.

People still get married, form families and shop for their family members and friends. In most cases family also represents a household where people's collective purchasing power has an important influence on the final purchase. If there are two or more people who earn in the family, such family would make larger purchases or will have higher purchasing power. In the families where there is a single earner purchasing decisions are generally made after considering important needs first. Families with less disposable income will feel less inclined to spend on fun and frivolous items. A family, its financial condition, the level of cohesion in it as well as several other factors influence the buying process. If you are the leading member or the only wage earner in your family, you know how you make your choices by keeping your family's considerations first.

Family in this way, becomes integral to the process of buying and consumer decision making. As a marketer, you know the role of family is paramount and one should focus his marketing strategy and tactics accordingly. In terms of consumer behaviour, importance of family and family roles cannot be ignored. As stated earlier, they are just as inseparable from our decision making process as family itself is from our lives. Those father son and father daughter ads are not targeting just anyone in the crowd, they are targeting the roles that are a part of every family. Now, you know how you and your parents have been making purchases. Family still has a distinct place in our hearts and that becomes

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evident whenever we are shopping. Several of us find it difficult to forget our girlfriend's recommendation when we are buying our new shirt.

7.6   CHECK YOUR PROGRESS

Q1.   What role does family play in consumer decision making?

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Q2.   How much are our buying decisions affected by our role in the family?

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Q3.   What role does family play in consumer behaviour?

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Q4.   How is consumer behaviour influenced by relationships within families? Discuss with context to various family types

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Q5.   Discuss the family lifestyle stages and the changing consumption patterns.

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7.7   GLOSSARY

- **Family life cycle:** Different stages of family life depending on the age of the parents and how many children are living at home.

- **Fear appeals:** Messages that stress negative consequences.

- **Functional needs:** Needs that motivate the search for products to solve consumption related problems.

- **Generation X:** Individuals born between 1965 and 1976.

- **Generation Y:** Mini-population explosion from the children of baby boomers.

7.8   SUGGESTED READINGS

- Cases in Marketing Management, Brennan. R, Pitman;

- Marketing Management: The Millennium Edition, Kotler.P, Prentice – Hall

- Consumer Behavior, Schiffman G.L and Kanuk L.L, Prentice-HallConsumer Behavior, Atul Kr Sharma, Global Vision Publishing House

- Consumer Behavior, Raju M. S, Vikas Publishing House Pvt. Ltd.

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SOCIAL CLASS AND CULTURAL INFLUENCES ON CONSUMER BEHAVIOUR

STRUCTURE

8.1   INTRODUCTION

Besides the internal factors, external factors also influence consumer behaviour. These factors are not individualistic and are external to the individual. These factors include culture, subculture, social class, reference group and family influences. They are associated with the groups that the individual belongs to and interacts with.

Ronald Freedman has defined "society as o broadly inclusive social organisation that possesses both functional and cultural autonomy and that dominates all other types of organisations". Man as a social human being, is a member of the most inclusive, dominant and complex type of social organisation - the society. Society is created through social interactions between its members through the transmission of ideas or communication. Through such interaction, individuals over a period of time, automatically become participants of a social organisation and will change their individual activities from a relatively independent social element to activities which are acceptable to the broader social organisation - the society. This is visible in the way men create new relationships or join previously existing patterns of social order. The social class or society plays a major role in influencing the buying behaviour or consumption pattern of an individual. Based on the social class structure to which he belongs, there are various factors which will] influence his purchase decision. So, marketing decision makers have to understand how social class influences the consumer behaviour of the target market. For analysing this, they have to understand the role of 'opinion leaders', culture and subculture which are the underlying determinants of the consumer behaviour in the society.

8.2   OBJECTIVES

After reading this lesson you would be able:

- To understand the concept of social stratification
- To know about factors influencing social class
- To discuss more in depth about how social stratification, culture and subculture influence the consumer behaviour of individuals.

8.3 SOCIAL CLASS

Social class refers to the hierarchical arrangement of the society into various divisions, each of which signifies social status or standing. Social class is an important determinant of consumer behaviour as it affects consumption patterns, lifestyle, media patterns, activities and interests of consumers.

Though there are various methods of ascertaining social class, most often it has been equated with income differences. However, this may not be true. Income differences do contribute to differences in social status, though they may not be the sole cause of differences in consumption patterns or lifestyles.

For instance, two consumers earning the same income may differ considerably in lifestyle when one has professional qualification at the post graduate level and is employed at the senior management cadre of a multinational, while the other is self employed, with education confined to a few years of schooling. Preferences regarding product and brand purchases, media consumption patterns, interests in pursuit of various leisure time activities vary a lot among these two consumers.

Such revelations through the years have prompted marketers to measure social class as a composite variable that reflects not just income differences, but other indicators such as educational qualifications, type of profession and designation, material possessions, etc. Social class may fail to distinguish between contrasting consumption patterns though it remains an important discrimination of consumption patterns. Social class should be used with other measures such as life stage and life cycle.

8.3.1 Definition and Meaning of Social Stratification

Consumer behaviour is influenced by environment in which one lives. The decision process is affected by a number of factors such as culture, social class, personal influences, family, religion, region he lives in, and his situation. Amongst them social class has great impact on consumer behaviour but what is a social class has been described differently by different researchers.

It can be best described "divisions within society composed of individuals sharing similar values, interest and behaviours". They are differentiated by socio-

economic status differences but some researchers do not take into consideration social factors. Leon G. Schiffman and Lisline Lazor Kanuk measure social class "in terms of social status" such as profession, income, quality of neighbourhood and dollar value of residence and do not consider cash, region and other social factors stating that consumer behaviour study is different than socio-culture study.

According to T.E. Lasswell in his book (Class and Stratum: An Introduction to Concepts and Research (Boston: Houghton Mifflin Co.) "Social class is the relatively permanent and homogenous division in society into which individuals and families sharing similar values life styles, interest, and behaviour can be categorized".

According to W.P. Dommermuth in his book Promotion Analysis, Creativity and Strategy (Bos-ton "Kent Publishing Co.) "Social classes are very broad groupings of individuals which hold roughly similar status levels in society arranged in a hierarchy from low through middle to upper class divi-sions". This definition has placed emphasis on status and treated persons in same social class who have similar status and position and similar values in life and so there are preferences, likings and disliking are of similar nature.

D. Dresser and D. Corns Professor of sociology in their book and the study of Human Interaction have defined social class "a group consisting of a number of people who have approximately equal positions in a society. These positions may be achieved rather than described, with some opportunity for upward or downward movement of other classes". He has placed emphasis on economic position rather than cultural or social similarity.

Thus there are two thoughts for segregation of social classes but there is almost unanimity about the factors which should determine the existence of a separate class. They are mutually exclusive, exhaustive and influential. It means that there should be very clear cut demarcation between one class and another class based on various fixed criteria. Secondly the relationship between different classes should be ranked as top most, second, third, forth etc.

It's also desirable that one individual should be included only into one social class. This, however, becomes very difficult to determine when large

variables are taken. One individual may fall in one group according to one criteria and in another group as per another variable. Therefore, some researchers are against considering too many variables.

It is, however, desirable that all members of the society must be included in one class or other i.e. the classification should be exhaustive. Further, while fixing the groups it should be ascertained that these classes are such that they influence the behaviour of its members to a certain extent in the matter of buying behaviour.

In USA researchers like Mc Kinley L. Blackburn, David E. Bloom, Pierre Mortineaw and Richard P. Coleman have taken following variables to determine the class all of which are based on economic factors.

"Social stratification is the division of members of a society into a hierarchy of distinct status

Clssses, so that members of each class have relatively the same status and members of all other classes have either more or less" (Consumer Behaviour L.G. Schiffman & L.L Kanuk)

Man lives and breathes in a society; he also gets influenced by it and at times even influences

its course of development.

This social class division will be such that o member of a particular class will enjoy more or less the same community status and prestige.

A specific social class is usually defined by the amount of status that members of a specific class possesses in relation to members of other classes. Each social class has got its own lifestyle and consumer behaviour pattern. The society for attaining its long term goal of longevity and smooth functioning requires its members to perform certain differentiated roles. Social stratification has resulted in these differentiated roles being valued differently or given a different status' Based on the social class to which an individual belongs, he/she is assigned a relevant value or status position in the society. This is the reason why some roles are valued as more and others are valued as less by the members of the society. Prestige or value attached to the holder of a position is referred to

as status. In this connection, a better understanding of social stratification status, is given by Chester I. Barnard.

He says social status is "that condition of the individual that is defined by the statement of his rights, privileges, immunities, duties and obligations in the society and obviously, by a statement of restrictions, limitations and prohibitions governing his behaviour, both determining the expectations of others in reference thereto".

An appropriate example to explain the above will be the role of doctors and nurses. There is no doubt that public health requirements of the society make both the roles of the 'doctors' and nurses a very important one. However, there is a general tendency on the part of individual members of the society to value the roles on a comparative basis as higher or lower. Usually, the 'doctors' role is valued as of a higher status as compared to the role performed by the nurses. Consequently, the society also expects better behaviour services of a higher level from a doctor than from the nurse. These two characteristics of our society of -deliberately differentiating and evaluating the roles of the individuals based on the role performed and status are the basis for stratification.

In India also we have a stratified society. This can be seen from the unequal distribution of income and wealth among the people. The principle of inequality is visible from the fact that wealth is concentrated in the hands of a few, resulting in a clear distinction between the rich and the poor or 'haves' and 'have not's. There is a ranking of individuals in society from high to low in terms of social status. And, all the people do not have the same power and prestige, similar possessions share the same value system and also act discriminately with individuals of the low social class having lesser power, prestige and status.

There are certain symbolic identifications by which individuals accorded higher status are distinguished from those occupying lower status. These status symbols are:

(a)   **Insignia -** Mark of qualitative identification differentiating people of different status.

(b)   **Titles and designations -** People are identified based on the various titles

and designations they carry with them. For instance, a marketing manager would be seen driving a Maruti 800 cc car 'whereas a marketing executive will be seen driving a scooter/motor bike.

(c) **Pay and perquisites -** Generally organisations award their employees salary and perquisites based on their job functions. So it is natural that a person occupying a higher grade will enjoy higher status and certain special perquisites due to him based on his higher level status as compared to a person occupying a lower grade in the organisation.

(d) **Physical facilities -** Status of people can be distinguished on the basis of various facilities provided to them by the company at work place and at home. Top executives of companies or people who are regarded as occupying high status in the society are provided at place of work exclusive rooms with excellent furnishings, exclusive parking places, etc. They are also allocated luxury manors, membership to elite clubs, etc., to take care of their home needs.

Thus, each society has some distinctive classes identified on the basis of certain characteristic features and frame of references. Knowledge of such social class groupings help the marketer to identify and segment the target market by taking social class groupings as one of the basis. Each social class has its own buying behaviour pattern and a particular life style is adopted by its members. Such a study will help the marketer to gain insight into the behaviour of a certain group of class and the way in which social groupings influence and conditions an individual's buying behaviour at the market place.

8.3.2 Factors Responsible For Social Stratification

Any section of class usually includes combination of-various factors. The factors generally reflect the values most highly priced by the particular class. Sociologists have identified some prominent and most important factors determining social class stratification in a society, which is given as under:

Authority

A person may have authority on account of owning land and property or holding authoritative positions with various organisations. If he is owing land

and has also employed workers to look after the property, he will have full excess to the means of of production and control over land.

Income

This is inclusive of the salary or income from various sources, perks and pay and the amount drawn in totality. For instance, a person may simultaneously be the owner of a company and also the directors' of other companies.

Occupation and Achievement

Mostly an individual is born into a class. That is-to-say he/she automatically becomes member of the class to which his/her parents belongs. This means that a child born to a doctor, public servant, lawyer and so on, are accorded the same status as their parents. But there are possibilities for some social mobility.

Education

Education is also a parameter used for measuring a person's worth, value and status in the society. A professionally qualified person is given a higher status as compared to an ordinary graduate' That is, individuals who come from families having elite proflsrionr-rr.n as civil services, business executives, chartered accountants, lawyers, business owners, etc., are always considered as belonging to a higher social class. This also gives such people distinct advantages over their lesser known counterparts. Such persons are already exposed to the wisdom of their family members and learn to be involved in the buyer decision making process. Such people will also be differentiated from others in terms of social status.

8.3.3 Features of Social Classes

Social class is the **segment of a society** arrived at by a **hierarchical classification of individuals** and families with a distinct status. The members of each class have relatively the same status. The status denotes the aggregate effect of the members of a class. Analysis of the characteristics of the social class will help the marketer to understand its consumption pattern. The **important characteristics of the social class** are explained below:

1. **The members of each class have relatively the same status:** A social class is defined by the amount of status, which the members of that class have in comparison with members of other social classes. The members in a particular social class have relatively the same status. An individual or family achieves social class by acquisition of skills, education, wealth and recognition. The status of the member reflects the aggregate effect of influence and recognition conferred on them by the society. This in turn is either more or less than the status of other classes.

2. **Persons within a given class tend to behave alike:** Social classes are homogeneous divisions of the society. Each social class shows similar life-styles, values, status, prestige and interests. So, the behaviour pattern of the members become similar. There are also shared attitudes and behavioural pattern among members. So, the behavioural pattern differs among social classes. For example, a person belonging to middle class prefers economically priced cars. But upper income group will prefer highly priced cars. Thus, social classes exhibit varying buying pattern in purchase of products that meets the life-style, status and prestige of their members.

3. **Social class is hierarchical:** Social class is determined by a hierarchical classification of individuals and families with a distinct status. Families can climb the social ladder by achievement of members. When each generation within a family tends to do better, there is an upward mobility in the social ladder. When young adults have less disposable income than their successful parents, they may slide down in the class hierarchy. The hierarchical aspect of social class is important to marketers. Consumers may prefer to purchase products favoured by their own or higher social class (e.g. imported luxury automobiles). Consumers may avoid certain products because they perceive the products to be lower class products.

4. **Social class is measured by a combination of variables**: Researchers use a combination of variables to measure social class. A number of socioeconomic factors are combined to form one over all members of social class standing. They better reflect the complexity of social class

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than a single variable. For example, to know the consumer perceptions of mail and phone order shopping, the socioeconomic status was studied by using a composite of income occupational status and education. It reveals that higher the socioeconomic status, the more positive are the consumers' ratings of mail and phone order buying, relative to in-store shopping.

5.   **Social class is mobile:** Social class membership is not hard and fixed. Individuals can move either up or down in social class standing. The availability of free education and opportunities for self development prompts success in business and in life. Successful persons move up to the higher class. Today, many young men and women start their own business to have higher social status. Higher social classes become reference groups for ambitious men and women of lower social status. Signs of upward mobility are found in India. For instance, plastic surgery was once affordable only for movie stars and other wealthy people. Today, consumers of all economic strata undergo cosmetic surgery.

6.   **Social class and status differentiation:** Researchers measure social class in terms of social status. They define each social class by the amount of status of the members of that class. It is also known as "Social stratification". Social stratification has resulted in differentiated roles. For example, a person with higher status owns a car. A middle class status person owns a two-wheeler. A person with lower status owns a bicycle. This is the symbolic identification of role and status based on social classification.

8.3.4   Social Influence on Consumer Behaviour

The buyer whom we are studying does not function as an entity independent of those around him. He/she maintains a constant contact with others ranging from members of his/her family, or colleagues, sales people and sometimes a complete stranger also' Sometimes a casual comment like "what an attractive dress" or 'Ah! That jacket really adds to your personality", from any of the above mentioned individuals will boost up his morale and influence his buying choice the next time. Consequently, the next time while on his

shopping spree, the buyer will spend more than the share of the money he had thought of putting aside for shopping.

Man as a social being, believes in having constant interaction with the various organisations because it serves many of his needs like socialisation, feeling secure, a feeling of belongingness, etc. These constant interactions have an impact on him. While formulating purchase decisions, a person refers to the behaviour of another person or group and tries to conform to it. Such interactions may often also have a bearing on his day-to-day life.

There are broadly three types of intimate groups in society who can influence the buying behaviour of individuals. They are:

(a) **Groups which serve as comparison points:** This will refer to such groups who will be considered/used as a point of comparison to evaluate the individual status. It has been observed that today's unpredictable consumer gets influenced by people with whom he perceives as sharing similar traits, psychological quirks, behavioural peculiarities and this automatically gets imprinted on his mind and influences his buying behaviour.

(b) **Groups to which the individual aspires to be a member:** Very often individuals imitate the behaviour of the group they aspire to be a part of.

(c) **Group whose perspectives are assumed by the individuals irrespective of whether he aspires for its membership or not:** with the market in the urban areas getting stagnated, marketers have woken up to the fact that there is a big rural market potential waiting to be tapped. This is because the rural customer is looking out for value and quality in the product and subconsciously he too wants to upgrade his living standards.

8.4   CULTURAL FACTORS

Culture refers to the traditions, taboos, values and basic attitudes of the whole society within which an individual lives. It is essentially associated with a certain nationality or religious identity of an individual. Cultural norms are learnt by an individual from childhood and their influence is so ingrained that it is invisible in daily behaviour. Culture teaches an individual the acceptable norms

of behaviour and tells him the rights and wrongs. When an individual deviates from acceptable norms, certain sanctions are imposed on him.

Cultural values affect how business is conducted. Culture also affects consumption behaviour. Cultural influences can be seen in the food habits and dressing style of people. It also influences communication (language), attitudes and values that influence consumption patterns. For instance, attitude towards future security and prosperity affects the propensity to save and consume and also affects decisions about possessions. In many Asian countries, having one's own house is one of the most important indicators of security (it is considered an investment) and lends social standing.

Cultural influences are highly conspicuous in communication messages. Use of colours, symbols, language and message sources reflect culture. Many brands associate their messages with a country's culture to adapt their messages. For instance, Honda, a Japanese brand communicates Indianness and its wide presence in India by using the brand logo in Mehendi (Henna, a local craft of painting one's hands), Chevrolet uses a popular Indian festival to indicate cultural adaptation, while some food brands such as Pillsbury show the mother serving hot food to her children and thus communicating her love (signifying the role of the mother in the Indian culture) to position their brand's superior product. The main aim of the multinational brands is to tune their messages according to the cultural specifications of various regions that they operate in.

a. Culture includes knowledge, belief, art, law, morals, customs, and any other capabilities and habits acquired by humans as members of society.

Factors that Define a Culture

- Individual/Collective: The culture in the US is an individualistic society, where people generally look out for themselves; The Japanese culture focuses on the collective, and people work to better society as a whole.

- Extended/Limited Family: In the US, families move away from each other and generally don't live together in the same house; In many Asian and European countries, parents, kids, grandparents and even aunts and uncles live together in the same house.

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- Adult/Child: Different cultures will define when someone is an adult. In the US it is 18 years old, but in some South American countries it is 14 or 15 years old. In the Hebrew culture a boy becomes a man at 13 during his Bar Mitzvah ceremony. In the Hispanic culture a girl becomes an adult at 15th birthday party.

- Masculine/Feminine: Cultures define the roles of men and women differently, including their rank, and prestige in society.

- Youth/Age: The value placed on *Elders* depends on the culture

- Cleanliness: In the US, cleanliness is very important, in fact most of the products advertised on American TV claim to improve cleaning; In other cultures showering on a daily basis is unnecessary.

- Tradition/Change: Some societies prefer traditions over making changes.

- Hard work/Leisure: In some cultures hard work is valued over leisure time.

- Postponed gratification/Immediate gratification: American culture is centered on immediate gratification "I want it now!"

- Sensual gratification/Abstinence: The Netherlands is a society that openly talks about and advertises sexual activity; in Muslim societies those topics are taboo, and women who get pregnant before marriage are often shunned.

Whatever a person consumes will determine their level of acceptance in their society. If someone does not act consistently with cultural expectations, they risk not being accepted in society.

8.4.1 Definition and Meaning

Sometimes an individual is described as "a highly cultured person", meaning thereby that the person in question has certain features such as his speech, manner, and taste for literature, music or painting which distinguish him from others. Culture, in this sense, refers to certain personal characteristics of a individual. However, this is not the sense in which the word culture is used and understood in social sciences.

Sometimes culture is used in popular discourse to refer to a celebration or an evening of entertainment, as when one speaks of a 'cultural show'. In this sense, culture is identified with aesthetics or the fine arts such as dance, music or drama. This is also different from the technical meaning of the word culture.

Culture is used in a special sense in anthropology and sociology. It refers to the sum of human beings' life ways, their behaviour, beliefs, feelings, thought; it connotes everything that is acquired by them as social beings.

Culture has been defined in number of ways. There is no consensus among sociologists and anthropologists regarding the definition of culture. One of the most comprehensive definitions of the term culture was provided by the British anthropologist Edward Tylor. He defined culture as " that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society".

There are some writers who add to this definitions some of the important" other capabilities and habits" such as language and the techniques for making and using tools. Culture consists of all learned, normative behaviour patterns – that is all shared ways or patterns of thinking and feeling as well as doing.

Some of the thinkers include in culture only the nonmaterial parts. For instance, Sutherland and Wood word say, "If culture exists only where there is communication then the content of culture can be ideas or symbol patterns. Culture is then an immaterial phenomenon only, a matter of thoughts and meanings and habits and not of visible and touchable material things or objects".

The "material elements that are made and used in accordance with socially inherited tradition" should be called culture objects. Others include in culture all the major social components that bind men together in society. For instance, the British anthropologist Malinowski included 'inherited, artifacts, implements and consumer goods' and 'social structure' within his definition of culture.

It is, Cooley, Argell and Car say, "*The entire accumulation of artificial objects, conditions, tools, techniques, ideas, symbols and behaviour patterns peculiar to a group of people, possessing a certain consistency of its own, and capable of transmission from one generation to another.*"

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Some of the other important definitions of culture are as follows.

"*Culture is the expression of our nature in our modes of living and our thinking. Intercourse in our literature, in religion, in recreation and enjoyment*", says MacIver.

According to E.A. Hoebel, "*Culture is the sum total of integrated learned behaviour patterns which are characteristics of the members of a society and which are therefore not the result of biological inheritance.*"

"*Culture is the complex whole that consists of everything we think and do and have as members of society*", says Bierstedt.

According to Anderson and Parker. "*Culture is the total content of the physio-social, bio-social and psycho-social universe man has produced and the socially created mechanisms through which these social product operate*".

Mlinowlski defines culture "*as the handiwork of man and the medium through which he achieves his ends*".

According to H.T. Mazumadar,"*culture is the sum total of human achievements, material as well as non-material, capable of transmission, sociologically, i.e., by tradition and communication, vertically as well as horizontally*".

Combining several of these definitions, we may define culture as the sum-total of human achievements or the total heritage of man which can be transmitted to men by communication and tradition. It is a way of life of the people in a certain geographical area. Life style and social pattern of a society being the direct consequence of the accumulated heritage of ages past distinguish and differentiate one community from another.

Culture therefore, is moral, intellectual and spiritual discipline for advancement, in accordance with the norms and values based on accumulated heritage. It is imbibing and making our own, the life style and social pattern of the group one belongs to. Culture is a system of learned behaviour shared by and transmitted among the members of the group.

Culture is a collective heritage learned by individuals and passed from one generation to another. The individual receives culture as part of social heritage

and in turn, may reshape the culture and introduce changes which then become part of the heritage of succeeding generations

- Culture exists to serve the needs of the society.
- Culture is acquired from society, throughout our life time.
- Culture is learned through interactions with other members of the culture'
- Culture is transferred from generation to generation with new influences constantly being
- Added to the cultural 'soup'.
- Culture will be adaptive to the needs of the society'

Some of the **important characteristics of culture** *has been cited below.*

1. **Culture is learned :** Culture is not inherited biologically but it is leant socially by man in a society. It is not an inborn tendency but acquired by man from the association of others, e.g. drinking, eating, dressing, walking, behaving, reading are all learnt by man.

2. **Culture is social :** It is not an individual phenomena but it is the product of society. It develops in the society through social interaction. It is shared by the man of society No man can acquire it without the association of others. Man is man only among men. It helps to develop qualities of human beings in a social environment. Deprivation of a man from his company is the deprivation of human qualities.

3. **Culture is shared :** Culture is something shared. It is nothing that an individual can passes but shared by common people of a territory. For example, customs, traditions, values, beliefs are all shared by man in a social situation. These beliefs and practices are adopted by all equally.

4. **Culture is transmitted :** Culture is capable of transmitted from one generation to the next. Parents papas cultural traits to their children and in return they pass to their children and so on. It is not transmitted through genes but through language. Language is means to communication which passes cultural traits from one generation to another.

5. **Culture is continuous :** It is continuous process. It is like a stream which

is flowing from one generation to another through centuries. "Culture is the memory of human race."

6. **Culture is accumulative :** Culture is not a matter of month or a year. It is the continuous process and adding new cultural traits. Many cultural traits are borrowed from out side and these absorbed in that culture which adopt it, as culture is accumulative and combines the suitable cultural traits.

7. **Culture is integrated :** All the cultural aspects are inter-connected with each other. The development of culture is the integration of its various parts. For example, values system is interlinked with morality, customs, beliefs and religion.

8. **Culture is changing :** It remains changing but not static. Cultural process undergoes changes. But with different speeds from society to society and generation to generation.

9. **Culture varies from society to society :** Every society has its own culture and ways of behaving. It is not uniform every where but occurs differently in various societies. Every culture is unique in itself is a specific society. For example, values, customs, traditions, ideologies, religion, belief, practices are not similar but different in every society. However the ways of eating, drinking, speaking, greeting, dressing etc are differs from one social situation to another in the same time.

10. **Culture is responsive :** Culture is responsive to the changing conditions of a physical world. It intervenes in the natural environment and helps man from all dangers and natural calamities e.g. our houses are responsible to give us shelter and safety from storm and heavy rains.

11. **Culture is gratifying :** It is gratifying and provide all the opportunities for needs and desires satisfaction. These needs may be biological or social but It is responsible to satisfy it. Our needs are food, shelter, clothing and desires are status, fame, money, sex etc are all the examples which are fulfilled according to the cultural ways. In fact it is defined as the process through which human beings satisfy their need.

12. **Linked with society :** Last but not the least one of the characteristics of culture that culture and society are one and the same. But if we say that these turn two are twin sister, it would not be wrong. Society is a composite of people and they interact each other through it. It is to bind the people within the society.

8.4.2 Sub Culture

People generally try to avoid behaviour frowned upon by the society. Thus culture is universal in man's experience but each local manifestation of it is unique. However, within the larger society there are specialities or subsystems of values resulting in a considerable variation in behaviour pattern, which exist within the total culture. Rarely do we find perfect homogeneity in the content of melting pots. Similarly, we also find subcultures within a society.

Subcultures can be said to be sets of learned beliefs, values, attitudes, habits and forms of behaviour that are shared by subsets of a society and are transmitted from generation to generation

A subculture is a group of people within a culture that differentiates itself from the parent culture to which it belongs, often maintaining some of its founding principles. Subcultures develop their own norms and values regarding cultural, political and sexual matters. Subcultures are part of society while keeping their specific characteristics intact. Examples of subcultures include hippies, goths and bikers. The concept of subcultures was developed in sociology and cultural studies. Subcultures differ from countercultures.

The study of subcultures often consists of the study of symbolism attached to clothing, music and other visible affectations by members of subcultures, and also of the ways in which these same symbols are interpreted by members of the dominant culture.

Subcultures can exist at all levels of organizations, highlighting the fact that there are multiple cultures or value combinations usually evident in any one organisation that can complement but also compete with the overall organisational culture.

It may be difficult to identify certain subcultures because their style

(particularly clothing and music) may be adopted by mass culture for commercial purposes. Businesses often seek to capitalize on the subversive allure of subcultures in search of Cool, which remains valuable in the selling of any product. This process of cultural appropriation may often result in the death or evolution of the subculture, as its members adopt new styles that appear alien to mainstream society.

8.4.3 Cross Cultural Marketing Analysis

Today, various companies are going for cross cultural marketing or marketing in a big way. The reasons behind such a move are: (i) pushed by poor opportunities in the domestic market (2) pulled by better and superior opportunities abroad. There are certain characteristic features of a firm going global:

- High market share in the domestic market.
- Advantageous economies of scale.
- Access to marketing/manufacturing bases across global borders.
- Availability of resources and capability to absorb huge losses.
- Product/technology clout.
- Cost and differentiation advantages.

The marketer should determine his international marketing objectives while entering the cross cultural marketing. Various options are available to an international marketer. The firm can act as a domestic exporter, or a foreign importer. It may also solicit another firm to sell abroad.

Better opportunities available in the foreign market and the over capacity of the firm operating only in the domestic market motivate the firm to go abroad. The firm will work out the following objectives:

1. To determine how consumers in two or more societies are similar and devise suitable strategy.

2. To formulate marketing strategy if cultural beliefs, values and customs of a specific country are different.

In cross cultural analysis, the firm has to do research in the following areas:

1. **Language Differences-** Language is the most important aspect of culture. Understanding a country's mother tongue will be of immense help to the marketer to know the impact of culture on consumer behaviour**. The marketer should study the nuances of cultural variances and respond in such a way which a consumer easily understands.**

2. **Differences in market segmentation opportunities-** The Company's product may be superior in terms of quality, cost service, technology clout and brand equity in the domestic market. But this will benefit the company only when it suitably segments the market with the help of overseas research. For example, in India, readymade garments are manufactured at lower cost. This gives competitive advantage in the global market. Research is undertaken in foreign market to study the potentiality for exporting ready-made garments from India. Proper market segmentation **is essential for developing the products.**

3. **Differences in the criteria for evaluating products and services-** India have tremendous opportunities in the field of textile and ready-made garments. This is due to availability of cheap labour and quality natural fabrics at reduced prices. Consumers are very particular about quality assurance while buying products. So, the exporting company should understand the "Perceived quality" in the consumer market. Variances do occur in consumer perception. Only research can reveal the differences in criteria for evaluating product and services; this aspect cannot be ignored by the marketer for cross cultural marketing.

4. **Differences in consumption pattern and perceived benefits of products and services-** Leather and leather products are an important item of export being exported by India. India has a competitive advantage in leather products. The livestock population in India is the largest in the world. So, best quality raw hides and skins are available for manufacturing leather products. Availability of cheap skilled manpower is an added advantage for leather units operating in the country. South Korea and

Taiwan were compelled to go slow on production due to escalating costs in production. So, India has gained a competitive advantage against its competitors in leather products. Products like footwear, belts, bags and wallets are considered as an inseparable part of everyday life for all of us. So, the demand for leather products is ever increasing all over the world. Global customers have perceived values and added benefits from buying Indian leather products. Marketing research **can identify suitable strategies for improving the position in marketing leather products.**

5. **Differences in the economic and cultural social conditions and family structure-** Consumption pattern is not uniform among all countries. Differences occur due to subcultures centred on consumer preferences. Food habits, clothing styles etc., are part of the belief structure and cultural taboos.

8.4.4 Problems in Cross Cultural Marketing

The following are generally the problems rerated to cross cultured marketing:

- **Problems related to product selection:** Under the fast changing socio economic environment, bringing with it its own psycho-cultural upheavals, the international customer is a truly moving target. Thus, the marketer going for cross cultural marketing has to select the customers/ market not on the basis of the superficial similarities of age or income, but by using the real motivating factors that prompt them to accept or reject products.

- **Problems related to promotion or marketing communication:** In cross cultural marketing, the marketer has to interact and tackle unfamiliar target audience, in a different language and communicate through an unfamiliar media. He has to acquire a sound understanding of the demands made on him by the cultural dynamics of the market. Thus, the marketing communication and message has to be adapted which will be consistent to the language and customs of the particular society.

Media selection also require international adaption because media

availability varies from country to country. Moreover, apart from availability, cost and coverage of numerous ad media are some of the considerations while taking decisions related to advertising.

- **Problems related to pricing:** Basically the techniques and principles used for pricing are more or less the same in domestic and cross cultural marketing. Firms interested in cross cultural marketing have to take a long term view and adopt a market oriented pricing policy.

- **Problems related to selection of distribution channels**

8.5   LET US SUM UP

An individual has his own choice and mindset. Consumer buying behaviour eventually refers to the buying behaviour of an individual. An individual can get affected by the environment in which he lives, his culture, his social class, his psychology and his personality. Now, marketers need to understand this psychology and the mindset of these consumers, also, understand what all factors influence their behaviour to develop effective marketing strategies.

Culture is a very important aspect to understand the behaviour of a consumer. It signifies the set of values of a particular community.

An individual decides to behave in a certain manner because of his culture. He gets all these values from his parents and family. Every individual has different sets of values as compared to others, what they see from their childhood when they start practicing those habits, they become their culture.

Culture does vary from individual to individual, region to region, and country to country, so the marketer needs to pay a lot of attention in analyzing the culture of various regions and groups. Throughout the process, the consumer is under influence of his culture as his friends, family, society, and his prestige influence him.

For a marketer, it is very crucial to take all these things into consideration while analyzing or observing a consumer's behaviour as they play a vital role in his behaviour, perception and expectations.

For example, if we observe the taste and preferences, people in southern India prefers rice to roti whereas north Indian people prefer roti than rice.

The social groups or membership groups to which an individual belongs are the social classes that influence him. In the social classes, we usually find people with similar values, lifestyle and behaviour. Now a marketer or a researcher needs to pay attention here because generally the buying behaviour of people in a particular social class to some extent is similar, though the level of influence may be low or high, he can tailor his marketing activities according to different social classes. Social perception is a very important attribute that influences the buying behaviour of an individual.

Example: A person from a low-income group may focus on price while making the purchase while a person from a higher income group may consider the quality and uniqueness of the product.

Sometimes an individual also is influenced by a social group to which he does not belong, but wishes to get connected with others. For example, in a college a student is in no need to buy a smart phone but purchases it to be part of that group and be accepted by them.

An individual's values, attitudes, beliefs and opinions are shaped with his culture. This in turn also form people attitude towards purchasing specific products or services. Culture of an individual also gratifies his several emotional needs and due to this they try to protect their cultural values and beliefs. This culture protection is reflected in individuals' behaviour as consumers. This could also be understood with an example of McDonald that served Indian consumers in a way it used to serve American consumers. This act of the company made a negative effect on Indian consumer due to their specific vegetarian culture values.

Culture can develop a consumer need and as well as can also affect the gratification of that need. In this way, culture depicts how an individual satisfy or fulfil his needs that if identified by coffee marketers can assist them in serving US consumers in a much more effective way. By serving coffee in a way that resonate with the priorities of US culture, US coffee marketers can increase their chances of consumer acceptance and success. They should try to serve

coffee with high quality and different kinds of environment according to the needs of US consumers.

For business class people, they should have serve coffee at esteemed and premium prices with peaceful environment whereas for youngsters they should serve coffee at reasonable prices with fun-loving environment. Before serving consumers, it is vital that US coffee marketers collect information about their specific target markets cultural values. It can be done by analyzing their family, religious establishments, and education associations.

With this specific values taught by US culture can be identified easily that in turn can be used to serve customers. The culture and value related information can be considerably used by coffee companies marketing managers to create messages and advertisements that are more likeable and tempting to attract consumers.

8.6 CHECK YOUR PROGRESS

Q1. What are external influences in consumer behaviour?

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Q2. How does social class impacts consumer behavior?

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Q3. Discuss various problems related to cross cultural marketing.

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Q4. What happens when a company ignores culture?

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8.7 GLOSSARY

- **Consumer socialisation:** The process by which we learn to become consumers. Social.

- **Cultural categories:** The natural grouping of objects that reflect our culture.

- **Cultural principles:** Ideas or values that specify how aspects of our culture are organised and/or how they should be perceived or evaluated.

- **Culture:** The typical or expected behaviours, norms, and ideas that characterise a group of people.

- **Social class fragmentation:** The disappearance of class distinctions.

- **Social class hierarchy:** The grouping of members of society according to status high to low.

- **Social comparison theory:** A theory that proposes that individuals have a drive to compare themselves to other people.

8.8 SUGGESTED READINGS

- Cases in Marketing Management, Brennan. R, Pitman;

- Marketing Management: The Millennium Edition, Kotler.P, Prentice – Hall

- Consumer Behaviour, Schiffman G.L and Kanuk L.L, Prentice- Hall Consumer Behaviour, Atul Kr Sharma, Global Vision Publishing House

- Consumer Behaviour, Raju M. S, Vikas Publishing House Pvt. Ltd.

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UNIT III   **LESSON:9**

REFERENCE GROUP AND GROUP INFLUENCE

STRUCTURE

9.1   Introduction

9.2   Objectives

9.3   Meaning of Reference Groups

9.4   Types of Reference Groups

9.5   Reference Group Functions and Types Of Influence Exerted

9.6   Factors Affecting the Influence of Reference Groups

9.7   Reference Group Influence On Products And Brands

9.8   Reference Group Applications In Marketing

9.9   Group Influence on Consumer behaviour

9.10   Let us sum up

9.11   Check your progress

9.12   Glossary

9.13   Suggested Readings

9.1   INTRODUCTION

There are a number of factors that give rise to consumer desires and wants. In the previous unit you learnt how families are significant for their effect

on buying behaviour. In this unit, the discussion is further extended to the social and environmental factors that influence the decision-making process namely, reference groups opinion leadership and social class**.**

9.2   OBJECTIVES

After going through this until you should be able to:

• Explain the reference groups, and their effect on buyer behaviour

• Types of reference groups

• Factors affecting the influence on reference groups

9.3   MEANING OF REFERENCE GROUPS

It is a natural tendency on the part of an individual to look up to another as with comparison; each one of us looks towards another individual or a group as a point of comparison. This group to which a person looks up as a point of comparison is known as a reference group. A reference group may be a person or a group to which an individual looks up as a frame of reference for his generaland specific acts of behavior, values, opinions, attitudes etc. The reference person or the reference group exercises tremendous influence on an individual. This is true for consumer behavior as well. A consumer always has with him in his conscious and sub-conscious state, a person or agroup that he looks up to as a reference point. Consumer actually look up to reference groups because:

a) He desires information before he actually decides to go in for the purchase of a product and service offering. As reference groups are regarded as impartial and have no hidden agenda like sales persons, consumers trust the former more than the latter.

b) He wants social approval for the product/services purchased or the brands bought, and he feels that once he has this approval from the reference group, he would not face any kind of social embarrassment .

c) He feels that he would be much at ease if he does something that others approve of.

The reference group exercises impact on the manner in which a consumer selects, purchases and uses a product or service offerings and/or brands. He

influences the purchase decision making process as also the purchase decisions, consumption patterns and resultant behavior. It is noteworthy that consumers have different reference groups; he may look towards one for guidance and advice of one product, and he may look towards another for purchase of another product. Gradually, the consumer begins to adopt the standards and norms used by the reference group(s) and behaves like them. Thus, marketers make effective use of reference groups in bringing about changes in a consumer's thinking and purchasing pattern.

9.4   TYPES OF REFERENCE GROUPS

Broadly speaking, based on the *kind of contact* (regularity, frequency, direct/indirect),reference groups could be of two kinds, viz., *primary* reference groups and *secondary* reference groups. Such group(s) with which a person has a direct (face-to-face) contact and where a direct influence occurs, is known as a primary reference group(s). For example, family, friends, neighbours, superiors, peers, colleagues etc. At the time of its origin, reference groups were narrowly defined so as to include only such groups. Gradually the concept broadened to include both direct and indirect influences. So such group(s) with which a person has an indirect contact and where an indirect influence occurs, is known as a secondary reference group. For example, movie stars and celebrities, sportsmen, successful business men, political leaders, religious leaders etc.

Based on the *kind of influence* that they have, reference groups can also be classified as *normative* reference groups and *comparative* reference groups. Those groups that influence general or broadly defined values, attitudes and/or behavior are known as *normative reference groups*. For example, for a child the family acts as a normative reference group; the parents (as family of orientation) have a big role to play in making us understand our value system as well as our acts of good and bad behavior. The parents teach the child his mannerisms, as well as what he should eat, how he should dress, and how he should behave. On the other hand, those groups that influence and serve as standards for specific or narrowly defined values, attitudes and/or behavior are known as *comparative reference groups*. For example, for the same child, his friend's family or a

neighbor may constitute a comparative reference group. The child desires emulating their lifestyles, customs, traditions etc, which he finds exciting, admirable and praiseworthy (and something which may be very different from his own). In terms of consumer behavior, the normative reference group may exert influence on the kinds of products that should be bought e.g. hygienic food, clean clothes, fresh fruits and vegetables etc. The comparative reference group may exert influence in terms of the things like junk food versus traditional food, fashion and fad as also the latest styles etc. Both normative and comparative reference groups have relevance for a marketer. While the former set the basic norms of behavior in terms of products to purchase, the latter is more specific in terms of brands to buy; in fact the latter depends on the former; i.e. the specific acts of behavior are governed by the general.

Based on i) membership and level of involvement; as well as ii) the kind of influence (positive or negative) they have on values, attitudes, and behavior, reference groups may be classified into four categories (See Table 2), viz., contactual groups, aspirational groups, disclaimant groups, and avoidance groups.

Table 2: Types of Reference Groups based on Cross-Classification		
	Membership	**Non-membership**
Positive Influence	Contactual group	Aspirational group
Negative Influence	Disclaimant group	Avoidance group

a) **Contactual Group:** A contactual group is defined as a group where people hold membership, meet face-to-face and have interaction, and where people abide by the values, norms, opinions and judgments that the group entails. This kind of a primary group has the maximum influence on a person, and his behavior. This has implications for a marketer in the sense that such groups impact purchase patterns and consumption behavior.

b) **Aspirational Group:** An aspirational group is one in which a person does not have a membership, and does not interact face-to-face, but he aspires to become a member. The group values and norms have a positive impact on the person, who desires membership to such a group. In terms

of consumer behavior, these are secondary groups and impact a consumer's ideal set.

c) **Disclaimant Group:** Here, a person holds membership with the group, but does not believe in the values, norms, attitudes and behavior of the group and its members. So the person acts as a deviant and behaves in a manner that is in opposition to how others in the group behave. In terms of consumer behavior, such people are referred to as inner- directed (an also detached), who want to set their own norms and patterns of behavior. These people could also act as innovators.

d) **Avoidance Group:** As the term denotes, this group is one where a person does not have membership, and he also disapproves of the values, norms, attitudes and behavior. He adopts such values and behavior that are in opposition to those that the group believes in or desired self-concept.

9.5 REFERENCE GROUP FUNCTIONS AND TYPES OF INFLUENCE EXERTED

It is possible to further classify reference groups into four types, depending on the function they perform and the kind of influence they exert. By now it will be clear to you that, reference groups operate by establishing certain norms, roles and status within the group for members to follow. As explained earlier, norms are unwritten codes or, standards of conduct that are assigned to individuals within the group. In addition, specific roles have been identified in group purchasing behaviour in the attempt to select the best among alternative brands or makes of a product. These are described as those of the influencer, the gatekeeper (i.e. the individual who has the maximum control over the flow of information), the decision maker, the purchaser and, the final user. Status positions have also been designated within a group. High status of members within a group implies greater power and influence. Products are sometimes purchased to demonstrate status, for example an elegant dress or, an expensive car. The influence exerted by the group depends on the type of reference group it is. There are four general types of groups namely, normative, comparative, status and dissociative groups.

Normative Reference Groups

These are group whose values, norms and perspective an individual uses in defining a personal social situation. Norms represent shared value judgements about how things should be done by members of the group. For example, dress codes indicate the impact of normative influence on clothing. Similarly, norms influence how much a person eats or drinks at a party. Normative influence refers to the influence exerted by a group to conform to its norms and behaviour. A group can exert normative influence in the purchase of clothes, furniture and appliances because these items are visible. Normative influence may also occur for items' like mouthwash, even though such items are not visible, because of fear of punishment of non-acceptance by the group. However, normative influence is not likely to occur for products like vegetables, though informational influence could occur in such cases. Since normative influence is based on the desire of an individual to receive the rewards of the group, the influence exerted by the group in such is also termed as utilitarian influence.

Comparative Reference Groups

Consumers constantly compare their attitudes to those of members of their important groups. In doing this, they seek to support their own attitudes and behaviour. As a result, the basis for comparative influence is the process of comparing oneself to other members of the group and judging whether it will be supportive. You will find that new residents in a neighbourhood are attracted to neighbours who are similar to themselves because they reinforce existing attitudes and behaviour. You will also find this in advertising that uses spokespersons whom consumers perceive as being similar to themselves.

The function of comparative reference groups is to provide a basis for validating beliefs, values and attitudes. Furthermore, in terms of reference group theory, it is not necessary for consumers to be in direct social contact with a reference group in order to be influenced by it.

In the case of comparative reference groups, value-expressive influence occurs when the group is used to express certain values. For example, smoking cigarettes in reference groups where it is okay to smoke, is a type of value

expressive influence. In fact, expressing the values of the group is a good way to become accepted by the group and form a close association with it.

Dissociative Reference Groups

These are negative reference groups. They are negative to the extent that an individual does not wish to be identified with them and, therefore, tries not to behave or dress like members of the dissociative group.

Such dissociation from a group may occur when individuals are striving to move into the higher social classes. They may attempt to avoid buying the products and services used by the dissociative group, i.e., the social class that the consumer is attempting to leave.

Status Reference Groups

These are groups in which an individual seeks acceptance. An individual need not be a member of such a group in order to be influenced by it. In fact, when a person is not a member of the group, it is referred to, in such cases as an aspiration group.

Reference Groups, Social Influence and Social Power

The influence of social class as well as of reference groups on consumer behaviour is felt through the influence of social power. The nature of the social power of these groups on consumer behaviour can best be understood by examining the various bases of power. These are five bases of social power. These are:

1) **Reward Power :** This is the ability to give rewards. Rewards may take several forms: money, gifts, psychological rewards such as recognition and praise. The magnitude of the reward also increased with the amount of power. In some situations, the use of products offers the rewards of group acceptance, for example clothing.

2) **Coercive Power :** This is the ability to give threats, or withhold rewards. An individual can thus be threatened or coerced to behave in a particular manner, for example in purchasing accepted clothing. Deorants, mouthwash, life insurance, are also sold frequently by using coercive power.

3) **Legitimate Power :** Legitimate power is closely linked to cultural or group values and involves the sanction of what ought or should be done, because the group has a legitimate right to influence persons just because they belong to it.

4) **Referent Power :** The basis of referent power is the identification and feeling of oneness of the person with the group. It arisen because a person admires or would like to be associated with the group. Referent power is often used to buy status-oriented products. Consumers are urged to obtain a similar status by purchasing the item recommended.

5) **Expert Power :** Consumers accept information from members within a group whom they perceive to be experts.

From these various bases of power, it appears that a person may be attracted to and conform to group norms either, in order to gain praise or recognition or in response to coercive power.

9.6 FACTORS AFFECTING THE INFLUENCE OF REFERENCE GROUPS

Reference groups influence is accepted and sought by individuals because of the perceived benefits that it provides. Thus, the interaction may result in rewards of friendship, information and satisfaction. However, the degree of influence that a reference group exerts on an individual's behaviour depends on several factors.

1) How Informed and Experienced the Individual is: A person who has little or no first-hand experience with a product or service, and also little or no information, will tend to rely on reference groups. Where there is insufficient experience or information, a consumer is more susceptible to the influence of others.

2) Reference Group Credibility: The higher a reference group is rated on credibility, the more powerful it will be perceived to be, and the more it will tend to change the beliefs, attitudes and behaviour of consumers. Also, the more it will be used for information on product quality.

9.7 REFERENCE GROUP INFLUENCE ON PRODUCTS AND BRANDS

Individual often buy particular brands because they observe others buying them, and not necessarily in order to comply with group behaviour. At social gatherings too, people discuss at lengths, products they like and dislike, recounting personal experiences with products they have used. It is necessary to consider carefully, therefore, how much influence reference groups are likely to have for a product or service. Those products or services that have strong group usage or connotation should then be presented in a group context in advertising situations.

It has been suggested that reference group influence on both, product and brand decisions is a function of its conspicuousness. Conspicuousness affects the marketing of goods depending on how products and brands fit into different categories of conspicuousness. There are two dimensions or elements by which conspicuousness is assessed. These are the exclusivity and the visibility of a product. The exclusivity dimension refers to exclusivity in ownership of the product. This means that, if everyone already owns a product, it is less conspicuous than if only a few people own it. For example, when a maker of designer shirts asserts only 11 men in this world will wear this shirt, he by deliberately restricting his output per pattern in imparting exclusivity to the product. You see, in Figure 3. The exclusivity dimension of conspicuousness is represented in terms of necessity goods to the left versus luxury goods at the right. This means that products that are necessities will be owned by most consumers and will not be very conspicuous. Products that are luxuries will be owned by the fewer consumers and will be more conspicuous.

The other is the visibility dimension. This refers to the product and brand being seen and identified by other people. This has its effect primarily on brand decision.

The visibility dimension of conspicuousness is built into the diagram as a public-private dimension. This means that products consumed in public are more conspicuous, while products consumed in private are less conspicuous. If

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you apply both these dimension, you will get four categories of products. For public luxuries, the potential for reference group influence is high. This occurs because few people own these products in the first place. In addition, since such products have high visibility, the brand or model will also be noticed.

For private luxuries, fewer people own these, so that, having the product will by itself provide exclusivity benefits. However, since such products are not easily seen by others, the brand or style will be less influenced by others.

For public necessities, reference group influence will not be very strong on the product. However, because of product visibility, reference group influence. on the brand will be strong.

Consider wristwatches, which are labelled public necessities. Because they are owned by most people, there is likely to be little reference group influence on whether to wear a watch. However,-because they are easily visible and everyone can see whether a person is wearing a wristwatch, the brand may be susceptible to reference group influence.

For private necessities, products that are required by almost everyone, reference group influence will be weak on both the product and the brand because such items are not very visible.

Reference group influence will therefore vary depending on whether the products and brands are public necessities, private necessities, public luxuries or private luxuries. According to reference group theory, group influence is greatest for luxury goods that are consumed publicly, and least for necessities that are consumed privately. Using the typology shown in the matrix; the following conclusions about reference group influence can be drawn:

1)   **Influence on Product and Brand (Public Luxuries) :** Certain groups are more likely to allow smoking, than others. If smoking is the norm, the group is likely to express a preference for a certain brand. Reference group influence is therefore likely to be strong for both the product and the brand.

2)   **Influence on Product only (Private Luxuries) :** Some product categories are so distinctive that owing them is sufficiently representative of group

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standards, for example, air conditioners, and home computers. Once a family buys a home computer, for instance, friends and neighbours will come into contact with the recently acquired product and the pattern of ownership will spread within the group.

3) **Influence on Brand only (Public Necessities) :** There are some products that are used by almost everyone. For example, clothing, furniture, magazines, toilet soaps.

In such cases, the product is not subject to group influence. The brand becomes an important factor subject to group influence. Thus, one group may emphasise designer clothes as a distinguishing feature. Another may emphasise leisure wear. Another group may read high brow magazines as the norm.

4) **No Group Influence (Private Necessities) :** Some products have low social visibility for both the product and the brand. In such cases reference group influence is weak or absent. Such products are then bought on the basis of product attributes suitable to the consumer. Products low in visibility, complexity and perceived risk such as bread, are not likely to be susceptible to personal influence.

9.8   REFERENCE GROUP APPLICATIONS IN MARKETING

The reference group concept is used by advertisers to persuade consumers to purchase products and brands by portraying products being consumed in socially pleasant situations, or else, using prominent and attractive people to endorse products and, often, by using stereotype group members as spokespersons in advertising.

Where reference group influence is operative, it is necessary that the advertising should stress the kinds of people who buy the product and, therefore, what specific reference groups enter into the product purchase decision. The first objective for an advertiser is to identify the lifestyle characteristics of a reference group. It will then be possible for marketers to design effective advertising strategies.

There are three broad applications of reference group influence on buyer behaviour, as expressed through the medium of advertising:

1) **Use of celebrities for product endorsements :** Advertisers spend enormous amounts of money on celebrities in the expectation that their audiences will react positively to a celebrity's association with their product. Celebrities represent, to some extent, the idealisation of life for the consumer.

2) **Use of experts for product endorsements. :** A second type of reference group appeal used in advertising is to use persons who are experts in the field. Experts help prospective consumers to evaluate an advertised product.

3) **Use of spokespersons for product endorsements :** A third type of reference group appeal is that of the spokesperson. This is the common man' appeal. It demonstrates to the consumer that someone just like him or her uses and, is satisfied with the product. The common man appeal is especially effective in public health announcements because, most people seem to identify with people like themselves, when it comes to such messages.

These reference group appeals have two benefits to advertising. They provide frames. of reference for consumers. Moreover, their use results' in increased brand awareness because they draw attention to the product through their own popularity.

9.9 GROUP INFLUENCE ON CONSUMER BEHAVIOUR

Each consumer in society is a member of different groups depending on their culture, various subcultures or even social class can influence their consumer purchase. A group can be formed when two or more individuals share a set of norms and beliefs. A group becomes a reference group when an individual recognizes with the group and takes on many of the values, attitudes or personal standards of group members and use it as the base of his/her day to day behavior. Reference group is defined as having significant relevance upon an 'individual's evaluations, aspirations or behavior influencing the consumer. The nature of

reference group influence can take three forms, this is because some groups and individuals are able to influence greater than others and affect a range of consumption.

1. **Informational influence:** This is when the reference group is used as a knowledgeable source in the different parts of the buyer's decision process. This type of influence emerges when an individual or the member uses the behaviors and beliefs of the reference group as dependable sources. This influence is based either on the similarity of the buyer's desires with the ones of the group members. For example in the biker subculture the members all share similar desires for purchasing Harley Davidson products therefore influencing the individual decision process in selecting certain products. The members in baby boomer subculture are also likely to purchase similar latest fashion products.

2. **Normative influence known as (utilitarian influence):** The reference group creates a level of values and norms of an individual, in the process of purchasing brands or products. For example both the Harley Davidson biker subculture and baby boomer subculture will have an influence on the member's decisions on which types of products to consumer to fit in with the values and attitudes of the subculture. Harley Davidson subculture values can affect the characteristics of the member's lives such as their 'social, political and spiritual' aspects.

3. **Identification influence known as (value-expressive influence):** The reference group is used to confirm the consumer's attitudes, norms and actual behavior. The individual behaves reliable with the group's norms and beliefs because the individual's and the group's norms, attitudes and beliefs are the same. For example this can be seen in Harley Davidson subculture in which the members view the subculture as a 'religious icon' sharing the same values and norms as other members.

The group's power of influence on consumer's behavior will depend on a number of factors. For example degree of visibility of the product or trademark used by the group members. The group's power of influence is higher for the

products used visibly such as shoes, cars and fashion products compared to non-visibly products. In the Harley Davidson subculture their power to influence other members is through visible displays such as tattoos and motorcycle customization, this is done to emphasize the commitment to the group. The product's degree of necessity for example the group's power of influence is higher for the luxury products such as jewels, fashion etc and lower for necessity products. For example the baby boomers subcultures are likely to influence other members in purchasing luxury products than necessity products.

The group's power of influence will depend on the individual's degree of involvement for example if an individual is reliant to a group; it is more likely to conform to the group. The group's influence will depend on the degree of confident of the buyer during the buying process. The group influence is noticeable when there are specialized products such as PC sets or mobiles. These are the products for which the buyer depends on the expert knowledge of the reference group. The influence of the reference groups is not influential for all types of products or services that consumers purchase. For example products that are not complex, that are low in perceived risk are unlikely to be influenced by the reference groups. The impact of the reference groups can vary. Reference group might determine the choosing of a certain kind of product instead of others. It can further influence the option of a brand or trademark of a product such as Iphone or Blackberry. An individual will want to belong to a group because of their significance and position they obtain. They will want to be associated with groups that have an attractive social position. Due to the unique characteristics certain groups are seen to have a greater social power influence than other groups.

Groups have power due to their ability to influence individuals to become members. The group's ability to influence the behavior of various individuals that are members or non-members of the group is called social power and can have a number of types. These social powers can influence the consumer behavior in buying certain products and brands. Research found that reference groups are very important for marketers. This is because they can influence and inform members to purchase specific products and brands. It can provide the members with factors to compare with their own values, with the values and behavior of

the group. This can therefore influence the members to adopt the groups' values and attitudes

Group influence is "non controllable" by the marketer but must be taken into consideration when designing new products. The marketer will need to seek out to understand all the group influences that affect consumers so that the marketing mix can be adjusted to give the maximum effect. Consumer behavior is greatly influenced by cultural, social, personal, and psychological factors. Culture is the most fundamental determinant of a person's wants and behavior. Culture contains smaller subcultures or groups of people with shared values systems based on common life experiences and situations. These subcultures can influence the consumer behavior. Subcultures include nationalities, religions, racial groups and geographic regions. Age subculture (age cohort) is an example of how consumers cultural bond with each other. This is because these consumers are more likely to face similar experiences and share common memories by growing up and living in the same time frame. Many subcultures make up important market segments and marketers often need to design products and marketing programmers' tailored to their needs and want. For example the automobile industry are taking on the baby boomer subculture market and dealing with boomers changing needs in the industry. Toyota's campaign of the redesign of the new Avalon was to provide a youthful image that reminds the baby boomers of the late 1960s.

9.10 LET US SUM UP

Here is what you read about in this unit, in a nutshell. First of all, every human society has some type of social class structure which divides its members into hierarchical groups. Within these social classes, social groups tend to form, and it is these groups that are responsible for transmitting the norms and behaviour patterns prescribed by society. Several factors distinguish these groups including occupation, wealth, education, possessions and values. Social class is not equivalent to occupation or income or any criterion, but it may be related to one or more of these. In addition, reference groups also represent important sources of social influence in consumer behaviour. However, reference group influence varies.

Some products and brands are susceptible to reference group influence while others are not, and this depends on the conspicuousness of the products. Conspicuousness relates to both, the visibility as well as the exclusivity of concerned products. Reference Group influence is greatest when both these factors are present, and lowest when neither is present. Thus, when visibility is high but exclusivity is low, reference group influence pertains more to the purchase of the product and less to the brand.

In addition, there are opinion leaders who influence the decision-making of consumers by providing information on products, and the process by which opinion leadership functions is described as the multi-step flow of communication.

9.11   CHECK YOUR PROGRESS

1) What is a reference group? Name two reference groups that are important to you. In what way do they influence you in your purchasing behaviour?

    _____

    _____

    _____

2) What factors are important in reference group influence? Suggest four products for which you think your reference groups would exert a strong or weak influence with regard to the purchase of the product and the brand, and explain the reason why this should happen.

    _____

    _____

    _____

3) Explain the two-step flow of communication and also indicate how and why it has been modified.

    _____

    _____

    _____

9.11 GLOSSARY

- **Primary group:** A group of people who interact, meet and talk on a regular basis, such as members of a family, neighbours or co-workers.

- **Secondary group:** A group of people who interact infrequently or irregularly.

- **Aspirational group:** A group to which a non-member would like to belong.

- **Normative reference group:** A group that influences the general values of behaviour of an individual.

- **Comparative reference group:** A group whose norms serve as a benchmark for certain specific types of behaviour.

9.12 SUGGESTED READINGS

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UNIT IV	LESSON:10

CONSUMER DECISION MAKING AND PROCESS

STRUCTURE

10.1   INTRODUCTION

Marketers need to understand the dynamics of the consumer decision making process. While the process and the internal and external factors affecting decision making would vary from person to person and within the same person from situation to situation, the study of consumer behavior attempts to draw certain generalizations. The major decisions taken by a consumer relate to what

he buys (products and services as also the brands), how much he buys (quantity), where he buys (place), when he buys (time) and how he buys (payment terms).

10.2 OBJECTIVES

After going through this until you should be able to:

- Explain the reference groups, and their effect on buyer behaviour
- Types of reference groups
- Factors affecting the influence on reference groups

10.3 DECISION MAKING

A decision is defined as choosing an option of the few/many available. Decision making is the process of choosing between two or more alternatives; It is the selection of an alternative out of the few/many choices that are available.

Decision making is:

a)   a goal oriented process.

b)   it is a problem solving process: helps take advantage of opportunities and fight threats. Decisions Making can be of two types, a) Programmed decision making, and, b) Non-programmed decision making.

a)   **Programmed decision making:** This is applied for problems that are routine and regular. Such problems are simple to deal with and guidelines to sort out such problems exist. Such decisions are made without much thought. With respect to marketing, these are decisions related to day to day purchases or convenience and shopping goods; these are generally low involvement purchases. They may also be habitual in nature, and brand loyalty could easily develop. **Examples**: Purchases made for staples, toiletaries etc.

b)   **Non-programmed decision making:** This is applied for problems that arise suddenly and are unique or novel. As the problem is sudden and novel, it is complex and requires a lot of information gathering, deliberation and thought. With respect to marketing, these are decisions

related to infrequent purchases or specialty goods and emergency goods; these are high involvement purchases.

Examples: Purchases made for laptops, real estate etc.

10.4 CONSUMER DECISION MAKING

A consumer purchase is actually a response to a problem. Consumer Decision Making pertains to making decisions regarding product and service offerings. It may be defined as a process of gathering and processing information, evaluating it and selecting the best possible option so as to solve a problem or make a buying choice.

Consumer Decision Making pertains to the following decisions: a) What to buy: Products and Services (and the Brands?) b) How much to buy: Quantity c) Where to buy: Place d) When to buy: Time e) How to buy: Payment terms. All purchase decisions are not similar. The effort put into each decision making is different.

10.5 LEVELS OF DECISION MAKING

While decision making is defined as the selection of an alternative to solve a problem, the time and effort required to complete the process varies across buying situations. We may define three kinds problem solving spread over a continuum; these are referred to as the levels of consumer decision making;

(i)   Extensive problem solving (EPS)

(ii)   Limited problem solving (LPS)

(iii)   Routinized problem solving (RPS) or routinized response behavior. These are explained as follows:

a)   **Extensive problem solving (EPS):** In EPS, the consumer is unfamiliar with the product/service category; he is not informed of the product or service offering, and thus, the situation requires extensive information search and evaluation.

The consumer is not aware:

- about the various decision criteria used to evaluate the product or service offering.

- of the various brands that are available and from which to evaluate.

   The result is that the purchase process involves significant effort on part of the consumer. He has to gather knowledge about (i) the decision criteria; (ii) the brands available; and (iii) make a choice amongst the brands.

   The types of products and / situations where we generally have EPS:

1. These goods are ones of high involvement; they are expensive; they are infrequently bought; there is considerable amount of risk involved.

2. These are generally first time purchases

   Examples: Jewellery, electronic goods, Real estate and property etc.

b) **Limited problem solving (LPS):** The consumer is familiar of the product or service offering; but he is unaware of the various brands. The case is one where the buyer is familiar wit the product category but unfamiliar with the brands.

   The consumer:

- *is aware* of some brands and also of the various criteria used to evaluate the product or service offering.

- is unaware of the new brands that have been introduced.

- has not evaluated the brands amongst the awareness set and has not established preferences amongst the group of brands.

   The result is that the purchase process is more of a recurring purchase and it involves only a moderate effort on part of the consumer. He has to gather knowledge to add/modify the existing knowledge that he has in his memory. Thereafter he has to make a decision.

   The types of products and / situations where we generally have LPS:

1. These goods are ones of low involvement; they are generally moderately priced; they are frequently bought; there is lesser amount of risk involved.

2. These are generally recurring purchases.

Exceptions:

They may also be cases where an expensive product is being repurchased.

Examples: A laptop replacing a desktop, a second TV for the home.

c)   <u>**Routinized problem solving (RPS) or routinized response behavior:**</u> The consumer is well informed and experienced with the product or service offering. The consumer is aware of both the decision criteria as well as the various brands available.

Here, the goods are ones of low involvement; they are inexpensive; they are frequently bought; there is no risk involved. These are routine purchases and are a direct repetition, where the consumer may be brand loyal.

The result is that the purchase process involves no effort on part of the consumer. It is simple and the process is completed quickly; purchases are routine and made out of habit.

The types of products and / situations where we generally have RPS:

1.   These goods are ones of low involvement; they are inexpensive; they are frequently bought; there is no risk involved.

2.   These are routine purchases and the consumer is brand loyal.

Examples: Staples, Cold drinks, Stationery etc.

10.6 BUYING ROLES

Consumer decision making is a complex process. It is an interplay of reactions amongst a consumer and his cognition, affect and behavior on the one hand, as well as the environmental forces on the other hand.

The actual transaction/ exchange is preceded by considerable amount of thought processes and influences. This could be explained in terms of the five "*Buying Roles*" viz., Initiator, Influencer, Decider, Buyer and, User. The marketer needs to understand these roles so as to be able to frame suitable strategies to target them.

a)   **Initiator:** The person who identifies a need and first suggests the idea of buying a particular product or service.

b)   **Influencer:** The person(s) who influences the buyer in making his final choice of the product.

c)   **Decider:** The person who decides on the final choice: what is to be bought, when, from where and how.

d)   **Buyer:** The person who enters into the final transaction and exchange process or is involved in the physical activity of making a purchase.

e)   **User:** The person(s) who actually consumes the product or service offering.

The various buying roles can be illustrated through examples:

Example: 1

A kindergarten girl needs to buy color crayons to use in class.

i)   Initiator: The girl ii) Influencer: Her teacher or her classmates

iii) Decider: Either of the parents

iv)   Buyer: Either of the parents or a sibling.

v)   User: The girl herself.

10.7 CONSUMER DECISION MAKING PROCESS

Marketers are interested in consumers' purchase behaviors, i.e., the decision making process. The consumers' decision making is a choice amongst various alternatives that address problematic issues like:

-   what to buy;

-   where to buy;

-   when to buy;

-   how to buy;

-   how much to buy.

Consumer decision making involves a continuous flow of interactions among environmental factors, cognitive and affective processes and behavioral

actions. A consumers decision's are based on knowledge, affect and behavior related to the marketing mix.

Stages in Consumer Decision Making Process: There are five stages in the consumer decision making process. These are

1.   Need recognition/Problem recognition

2.   Pre-purchase information search

3.   Evaluation of alternatives

4.   Purchase decision

5.   Post-purchase outcome and reactions

Each of these stages are explained as follows:

1.   Need recognition/Problem recognition: This is a stage of perceiving a deficiency/need. A need could be triggered off by an internal stimulus or an external stimulus. For example, a person is thirsty and feels like having a cola drink. The stimulus is internal. On the other hand, while walking across the street, he sees a hoarding which shows a person having a frosted, chilled cola, and he too desires to have the same, the need is said to have been stimulated by an external stimuli.

A need or problem recognition could be Simple or Complex.

a)   Simple: Simple problem recognition is similar to Structured Problems; They occur frequently as a routine and can be dealt with automatically without much effort.

b)   Complex: A Complex problem recognition is similar to Unstructured Problems; They occur infrequently as unique and non-routine and need considerable effort to be solved.

A need or problem recognition could result when: a) the Actual State changes (AS type):

-      the product is failing, or the consumer is running short of it;

-      there is a problem that exists.

-      consumers who react in such situations are called AS Types.

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Example: A product stops functioning and the customer needs a replacement; eg. A refrigerator; Samsung One door: Standard;

b)   the Desired State changing (DS type):

- there is an imbalance between the actual state and the desired state

- another product seems better and superior to the one that is being currently used;

- consumers who react in such situations are called DS Types.

Example: The product is functioning properly; but the consumer wants to buy an upgraded model; eg., The refrigerator is functioning properly; However, the customer wants to buy another one which has more features and is more modern; Samsung Two doors: Deluxe: Frost free;

Which of the particular styles operates' depends on the product or service in question as well as the situation.

Whether a problem is an AS or DS Type also gets affected by an individual and his personality. Some consumers are AS Types, who realize that there is a problem after it has arisen, and so they go in for a purchase; They are reactive by nature; Eg. The consumer reacts after the refrigerator breaks down.

Other consumers are the DS Types, who want to upgrade to better/newer products; They are proactive; Eg. Want to purchase a newer model of the refrigerator.

A need is recognized in any of the following situations:

a)   When a current product brand X is not performing well.

b)   When the current product brand X is nearing depletion.

c)   When another brand Y seems superior to the one currently owned, X.

b)   <u>Pre-purchase information search</u>: After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. He gathers information about the:

(i)   product category and the variations

(ii)   various alternatives

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(iii)   various brands.

The amount of information a consumer will gather depends on the following:

i)   the consumer: demographics (age, gender, education), psychographics (learning, attitudes, involvement, personality type).

ii)   product category: differentiation and alternative brands available, risk, price, social visibility and acceptance of the product.

iii)   situation: time available at hand, first time purchase, quantity of information required, availability of information.

Types of Search Activity:

The information search activity may be of various types, viz, specific, ongoing and incidental.

(i)   Specific: This type of search activity is specific to the problem and/ immediate purchase; it is spurred as the need arises, and the consumer actively seeks information. Example: student enters college and needs to buy a laptop so that he can work on his assignments.

(ii)   Ongoing: Here the search activity is a gradual process that could span over time. Example: the same student, has been thinking of purchasing the laptop since the past five years, and over these past 5-6 years, he has been gathering information specific to the laptop as a product category and also about the various brands available.

(iii)   Incidental: This is a byproduct of another search activity or experiences. Consumers absorb information from their day to day routine activities and experiences. Example: the student goes to a mall; he has gone there to help his mother buy a microwave oven; there in the store, he attends a demonstration of a new laptop that is being launched.

Information Sources:

The information sources are of two types:

i)   **Internal sources:** This includes the consumer and his self. He recalls information that is stored in his memory (comprising information gathered

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and stored, as well as his experiences, direct and indirect). Internal sources seem sufficient when:

- it is a routine purchase
- the product is of low involvement

ii)   **External sources:** Here the consumer seeks information from the external environment. External sources of information include:

- Interpersonal communication (family, friends, work peers, opinion leaders etc.)
- Marketing communication or commercial information (advertisements, salespeople, company websites, magazines etc.).
- Other public sources (editorials, trade magazines and reports, consumer awareness programmes on TV, Internet etc.)

External sources are resorted to in cases where:

- past knowledge and experience is insufficient.
- the product is of high involvement and the risk of making a wrong decision is high.

c)   <u>**Evaluation of alternatives:**</u> Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain criteria. This involves: i) Generation of choice alternatives; ii) Identification of evaluative criteria: Attributes and Benefits; iii) Application of Decision Rules.

    i)   **Generation of choice alternatives:** While generation of alternatives, a consumer moves from an evoked set towards the choice set.

        - **Evoked set/Consideration set:** This is the set of alternatives that he actively considers while making a purchase decision; these exist either in his memory or feature prominently in the environment. The consumer perceives them to be acceptable.

        - **Inept set:** These are those alternatives from the evoked set that the consumer excludes from further consideration, as he perceives them to be inferior and unacceptable.

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- **Inert set:** These are those alternatives from the evoked set that the consumer excludes from further consideration, as he is indifferent towards them and perceives them as ones without much advantages or benefits.

Choice set: This comprises the final set of one or two brands from which he finally decides.

ii) **Identification of Evaluative Criteria: Attributes and Benefits:** These are objective and subjective parameters of the brand that the consumer regards as important, and uses as standards to discriminate among the various alternatives. The consumer evaluates the different alternatives on one or few or many of these features and then makes a final choice. They are features that a consumer considers in choosing among alternatives; these could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/hedonic (emotions, prestige etc.). The major evaluative criteria are:

Economic: Price, Value (Product Attributes, Brand image, Evaluation of Quality, Price, & Features).

- **Behavioral:** Need/motivation, Personality, self-concept and self-image, Lifestyle etc.

- **Social influences:** Group influences, environmental issues etc.

iii) **Application of Decision Rules to make a final choice amongst alternatives:** The consumer uses certain decision rules. The decision rules help a consumer simplify the decision process; the various evaluative criteria are structured and integrated so as to simplify the evaluation process. There can be two kinds of Decision Rules, viz., Compensatory rules and Non-compensatory rules.

1. **Compensatory rules:** Under compensatory rules, the various evaluative criteria are listed as attributes. These attributes are scored and rated for the various alternative brands. A lower rating on an attribute may be offset by a higher rating on another; i.e. a higher rating on one attribute would compensate for a lower rating on another. Based on the final scores, the brands are ranked; the one with the highest score, being regarded as the best. The consumer would then select

the brand that scores the highest among the various alternatives that have been evaluated. Compensatory rules could assume two forms: simple and weighted.

Simple summated: The attributes are rated for each brand and the scores are totaled.

- **Weighted:** The attributes are first given weights relatively based on the level of importance; thereafter, the attributes are rated and finally scored after multiplication with the weights. The weighted scores are then totaled.

2. **Non-Compensatory rules:** Here, a negative evaluation of any one attribute eliminates the brand from consideration. A lower rating on an attribute cannot be offset by a higher rating on another; i.e. a higher rating on one attribute would not compensate for a lower rating on another. The consumer would then select the brand that scores the highest among the various alternatives that have been evaluated. Non-compensatory rules could assume three forms: conjunctive, disjunctive and lexicographic.

Conjunctive rule: A minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls below the minimally acceptable limit on any of the attributes is eliminated/rejected.

Disjunctive rule: a minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls above the cut off point on any of the attributes is selected.

Lexicographic rule: The various attributes are ranked in terms of perceived importance. First, the brands are evaluated on the attribute that is considered the most important. If a brand ranks considerably high than the others on this attribute, it is selected. In case the scores are competitive, the process may be repeated with the attribute considered next in importance.

Sometimes the application of one rule may not be enough; And another may also be applied to reach a final decision.

d) **Purchase decision:** After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials/ first purchases or repeat purchases.

Trials/First purchase: Trials could be elicited through market testing, or through promotional tactics such as free samples, coupons, etc.

Repeat purchases: If the consumer is satisfied, he would buy the brand again. Repeat purchases lead to brand loyalty.

The consumer may further have to make decisions on:

a)   where to buy from? (Place: Real/brick and mortar or virtual/online);

b)   whom to buy from? (Which store: Depends on reputation of seller, past experience, etc.)

b)   when to buy? (Time: Emergency or Routine; During season, off season, sale, rebate etc.)

It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favor of the brand; it could get moderated by (i) Attitudes of others; and (2) Unexpected situational factors.

e)   Post-purchase outcome and reactions: The post purchase outcome and reactions contains two stages; Stage I comprises Post purchase Cognitive Dissonance, and Stage II comprises Product usage and reaction.

Stage I: Post purchase Cognitive Dissonance: This is a feeling of tension and anxiety that a consumer experiences after the purchase of a product. The consumer begins to have a feeling of uncertainty with respect the performance of the product and begins to doubt his purchase decision "whether the decision was the right one?". He begins to ask himself the following questions:

a)   Have I made the right choice?

b)   Have I purchased the right brand?

c)   Have I got value for money?

The Fox and the Sour Grapes is a perfect example of Cognitive Dissonance.

Cognitive dissonance generally occurs in cases where:

(i)   the decision making and purchase relates to a high involvement product;

(ii)   the purchase activity is irrevocable;

(iii)   the consumer cannot return the product;

(iv)   the various alternatives have desirable features and are all comparable;

(v)   the alternatives are also unique in some way or the other.

Consumers try to reduce this dissonance by:

(i)   gaining more product information;

(ii)   discussing with other satisfied customers who have bought the same product/brand;

(iii)   going back to the dealer and asking for reassurances.

Other methods that consumers employ to reduce cognitive dissonance are by:

- rationalizing that the choice that they have made is the right one.

- refer to data (printed/audio visual) that supports and recommends the chosen product/brand.

- make others buy the same product/brand to reassure their choice.

Marketers also employ strategies to reduce this dissonance by providing guarantees and warranties, membership to company consumer forums and communication and follow up with the customers.

Stage II: Product usage and reaction: After the purchase, the consumer uses the product and re evaluates the chosen alternative in light of its performance viz. a viz. the expectations. This phase is significant as it (i) acts as an experience and gets stored in the memory; (ii) affects future purchase decisions; (iii) acts as a feedback. There could be three situations that can arise:

- Performance meets expectations: This leads to a neutral feeling; Customer may think of more suitable alternatives next time.

- Performance exceeds expectations: The customer is satisfied and this leads to a positive feeling. He would tend to repeat purchase and it would lead to brand loyalty. He would also spread positive word of mouth.

- Performance falls short of expectations: Here, the customer is dissatisfied

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and this leads to a negative feeling. The customer would search for other alternatives, express grievances, spread negative word of mouth and may even resort to legal action.

10.8   IMPLICATIONS FOR A MARKETER

An understanding of the consumer decision making process, can help a marketer formulate appropriate marketing strategies. He can also model his marketing mix accordingly. The implications of understanding the dynamics of consumer behavior are discussed as follows:

1.   **Need/Problem recognition**:
   - A marketer can create an imbalance between the actual and desired state; it would trigger of the purchase decision process.
   - He can launch newer models; marketing communication has a big role to play.
   - He can focus on both functional (utilitarian) and emotional (hedonic) benefits that the product purchase could offer.
   - He can activate a need through communication (advertisements, sales promotion, point-of-purchase stimuli, opinion leaders and reference groups).

2.   **Pre-purchase information search:**
   - Marketing communication has an important role at this stage.
   - The marketer can identify the sources of information that the people generally access and use these to present information about his product and service offering.
   - The marketer can also identify the functional or hedonic utility and use appeals accordingly.
   - This would help create the right kind of cognitive and emotional touch point so as to elicit a favorable behavior (purchase).
   - The marketer should be able to provide the right kind of information at the right place and at the right time.

- The marketer must make sure that his product and service offering forms a part of the evoked /consideration set.

  a) For high involvement products: the marketer should ensure that information is available.

  b) For low involvement products: he should use emotional appeals, POP stimuli etc.

3.   <u>**Evaluation of alternatives:**</u>

- The marketer should be careful that his product is:

  i) positioned and promoted well;

  ii) is readily available and displayed well;

  iii) the product features prominently in the evoked/consideration set; and,

  iv) he highlights those attributes and benefits that are regarded as most important to the consumers, and which they are most likely to evaluate while selecting an alternative.

- The marketer should inform and educate the customer about the various criteria to use for evaluation of alternatives.

- While doing so an intelligent marketer should focus on those attributes, where his product is better and/superior.

4.   <u>**Purchase decision:**</u> - The marketer should be careful to stock the product at the right place at the right time so that the consumer who has made a decision in favour of the brand can have access to the product; Else the consumer may have to change his decision at the last moment. - As far as trial and first time purchases are concerned, the marketer should encourage trials through market testing, or through promotional tactics such as free samples, coupons, etc. - For repeat purchases:

i)   the marketer should make sure that he has satisfied the customer at the first time.

ii)   that his offering is a part of the evoked/consideration set. He should aim towards creation of brand loyalty.

v) **<u>Post-purchase outcome and reactions:</u>** - The marketer can play an important role in reducing the dissonance that the consumer faces and reassuring him that the choice he made was the right one.

i) The marketer can communicate with the customer about the various attributes/features and benefits that the product has to offer in comparison with other alternatives.

ii) He can follow up with the customer and address queries and concerns if any (eg. follow up calls).

iii) Marketers' assurances with respect to warranties, guarantees and exchange can also pacify the cognitive dissonance state.

iv) Company websites with FAQs (frequently asked questions); satisfied customers' comments and blogs; and customer care information (eg. toll free numbers etc) can also prove to be helpful.

10.9 LET US SUM UP

It is important to note that the five staged decision making process is not so simple; it is **complex**. The decision making process is an interplay of reactions amongst a consumer and his cognition, affect and behavior on the one hand, as well as the environmental forces on the other hand. Further, the procedure may not always follow a linear order, and the decision making may not always proceed through all the five stages; it would vary across (i) the nature of the product (high and low involvement); (ii) the purchase situation (emergency or planned or routine); (iii) the personal characteristics of the consumer; and (iv) the type of problem solving (EPS, LPS and RPS).

10.10 CHECK YOUR PROGRESS

1) Compare and contrast the various levels of Consumer Decision Making.

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_____

2)   Define Consumer Decision Making and the consumer decision making process

    _____

    _____

    _____

3)   What are the various buying roles. Explain using an example.

    _____

    _____

    _____

10.10 GLOSSARY

- **Initiator:** The person who identifies a need and first suggests the idea of buying a particular product or service.

- **Influencer:** The person(s) who influences the buyer in making his final choice of the product.

- **Decider:** The person who decides on the final choice: what is to be bought, when, from where and how.

- **Buyer:** The person who enters into the final transaction and exchange process or is involved in the physical activity of making a purchase.

- **User:** The person(s) who actually consumes the product or service offering.

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CONSUMER DECISION MAKING MODELS

STRUCTURE

11.1 INTRODUCTION

The consumer's decision making model deals with the process of consumer decision making. This model consists of three stages the Input stage; the Process stage and the out put stage.

The input stage can be broadly categorized into Firms efforts and Socio-cultural Environment. The firm's efforts relate to the firms marketing mix, i.e. Product, Promotion, Price, Channels of Distribution, People and Physical evidence. This stage involves the activities the firm undergoes to sell their products. Socio-cultural environment on the other hand is the environment of friends, family, society, culture and sub culture that surround a consumer.

The input stage affects a consumer's decision making. The decision-making is the second stage called process. In this stage the consumer does him pre-purchase research and evaluation based on the firms efforts and socio-cultural environment. The firm's efforts and socio-cultural environment influence a consumer's psychological field. The psychological field consists of Motivation, Perception, Learning, Attitude and Personality of a consumer. This stage also evaluates the past experience of the consumer.

The final stage in the consumer decision-making is the Output stage. This stage is concerned with the actual purchase, repurchase and the purchase evaluations.

11.2 OBJECTIVES

After studying this lesson you should be able to:

- Consumer decision making models
- Define Opinion leadership and its characteristics
- Understand the situation of a overlap of Opinion
- Understand the concept of diffusion and adoption of new products/ innovation.
- Explain the process of diffusion.
- Apply the concepts of various adopter categories

11.3 MODELS OF CONSUMER DECISION MAKING

There are different models of consumer decision making.

11.4 THE SCHIFFMAN & KANUK'S MODEL OF CONSUMER DECISION MAKING

This model deals with the interactions between the marketer and the consumer. This process can be seen in the form of three distinct though interactive stages. Figure 11.4 shows the Schiffman and Kanuk's Model of Decision Making.

THE SCHIFFMAN & KANUK'S MODEL OF CONSUMER DECISION MAKING

External Influences

Input

Firm's Marketing Efforts
1. Product
2. Promotion
3. Price
4. Channels of distribution

Socio cultural environment
1. Family
2. Informal sources
3. Other non-commercial
   sources
4. Social Class
5. Subculture and culture

Consumer Decision Making

Process

Need
Recognition

Prepurchase
Search

Evaluation of
Alternatives

Psychological Field
1. Motivation
2. Perception
3. Learning
4. Personality
5. Attitudes

Experience

**Postdecision
Behaviour**

Output

Purchase
1. Trial
2. Repeat purchase

Post purchase Evaluation

Source: Leon G. Schiffman and Leslie Lazar Kanuk. 2002. Consumer Behaviour.
New Delhi: PHI Learning Private Limited, p. 443.

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The input stage in the consumer decision making model consists of external environmental influences or two major sources of information. These sources are the firm's marketing mix elements including the product or service, its price, its promotion and location of availability as well as the external sociological influences on the consumer like family, peer and friends, neighbours, other informal and non commercial sources, social class, group influence, religion and culture.

The process stage deals with how consumers make decisions. There are a few psychological factors existing within each individual like motivation, perception, learning, personality and attitudes which affect how the external inputs from the input stage influence the consumer's decision making process like recognition of a need, prepurchase information search and evaluation of alternatives.

The output stage of the consumer decision making model consists of two closely linked post decision activities namely, purchase behaviour and post purchase evaluation. The post decision activities are also dependent upon the type of decision involved. The purchase behaviour for a low cost non-durable product is influenced by the free coupon offer and in fact is a trial purchase. In case the consumer is satisfied with the product after use, it will result in repeat purchase.

11.5 THE ASSAELL'S CONSUMER DECISION MAKING MODEL

Assaell's model of consumer decision making indicates that the consumer's involvement in the decision making will vary depending upon the type of purchase involved. For instance, in the case of high involvement purchases or complex decisions, the decision making process will involve information search and evaluating brand alternatives. In the case of low involvement purchases, the consumer will seek little or no information and will consider only one brand. Figure 11.5b shows the Assaell's Consumer Decision Making Model.

Fig. 11.5(b)
THE ASSAELL'S CONSUMER DECISION MAKING MODEL

High Involvement in purchase decision

	High Involvement	Low Involvement
(Information search, considers brand alternatives)	Complex decision making (Automobiles, computers)	Limited decision making (Cereals)
(Little or no information search, considers only one brand)	Brand loyalty (Personal care products, cigarettes)	Inertia (Canned food, paper napkins)

Source: Suja R. Nair. 2010. *Consumer Behaviour in Indian Perspective Text and Cases.* Mumbai: Himalaya Publishing House, p. 20.

Fig 15.5c shows the various individual and environmental factors, which can influence the purchase decisions of the consumers.

Figure 15.5(c)

<table>
<tr><td colspan="6" align="center">**THE INDIVIDUAL AND ENVIRONMENTAL FACTORS
INFLUENCING PURCHASE DECISIONS**</td></tr>
</table>

Stimuli → Information Processing → The consumer → Decision making → Response

Cognitive thinking processes	Consumer Personal Characteristics	Culture	Social Class	Influence groups	Situational variables influences
Perception	Demographic	Values beliefs	Social class structure	Reference groups	Purchase occasion
			Society	Family	Market communication
Attitudes	Lifestyles	Cross cultural influences			Product positioning
				Opinion leaders	Stores patronage and shopping behaviour
Needs and motives	Personality traits	Sub-cultural influences			Price
				Innovation	Sales personnel influences

Individual factors	Environmental factors

Source: Suja R. Nair. 2010. *Consumer Behaviour in Indian Perspective Text and Cases.* Mumbai: Himalaya Publishing House, p. 21.

     The consumer decision making process goes beyond the traditional facets such as product features and design, benefits sought from the product or brand, suitable pricing and ideal location. It is the post purchase satisfaction or dissatisfaction behaviour which will count. Post purchase satisfaction will induce adoption and loyalty. Post purchase dissatisfaction results in discontinuing the usage of the product. Ultimately the post purchase behaviour of consumers will

have repercussions on the communication they have with the prospective customers.

Right from stimuli till consumers' response there are many factors like perception, attitudes, needs and motives, demographics, culture and social class influencing the consumer's purchase decisions.

11.6   THE SIMPLE STIMULUS-RESPONSE MODEL

As per the stimulus-response model, there are marketing and other stimuli which enter the 'Consumer's black-box' and subsequently produce certain buyer responses. Figure 4.11 illustrates the Simple Stimulus-Response Model of Consumer Decision Making.

Figure 4.11
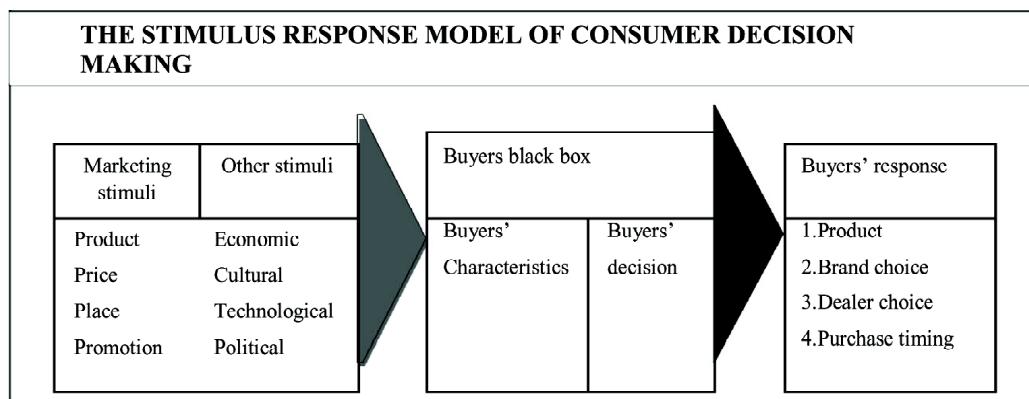
THE STIMULUS RESPONSE MODEL OF CONSUMER DECISION MAKING

Markcting stimuli	Other stimuli	Buyers black box		Buyers' response
Product	Economic	Buyers' Characteristics	Buyers' decision	1.Product
Price	Cultural			2.Brand choice
Place	Technological			3.Dealer choice
Promotion	Political			4.Purchase timing

Source: Suja R. Nair. 2010. *Consumer Behaviour in Indian Perspective Text and Cases.* Mumbai: Himalaya Publishing House, p. 22.

The marketing environment comprises various marketing mix elements which act as cues in influencing consumer response. The buyer is exposed to a variety of information about the product's existence, price to match the product features, availability at the various outlets, ably supported by the promotional tools such as advertisement, contests and sweep take publicity while marketing environment helps to build up product awareness.

Other stimuli include major forces and events in the buyer's environment: economic, technological, political and cultural. All these inputs enter the buyer's

black box where they are turned into a set of observable buyer responses such as the selection of the brand, the dealer and the time of purchase.

11.7 OPINION LEADERSHIP

An issue of considerable importance to consumers and marketers alike-the informal influence that others have on consumers' behaviour and the dynamic processes that impact consumers' behaviour is the nature and dynamics of the influence that friends, neighbors, and the acquaintances have on our-consumer related decisions. This influence is often called word-of-mouth communications or the opinion leadership process. We also consider the personality and motivations of those who influence, i.e., opinion leaders and those who are influenced, i.e., opinion receivers.

11.8 WHAT IS OPINION LEADERSHIP ?

Opinion Leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients. The definition of opinion leadership emphasizes on informal influence. This informal flow of opinion related influence between two or more people is referred to as word-of-mouth communication.

The person is the **opinion leader** and may become an **opinion receiver**. Individuals who actively seek information and advice about products are often called **opinion seekers.**

These opinion leaders are very often a part of the social groups and also have social communication network. The biggest advantage of the informal word-of-mouth communication is that it is informal and interpersonal in nature and this takes place between people who are not directly associated with the commercial selling source or the firm. Very often, we can see that the formal word-of-mouth communication is more influential than mass advertising in determining which product or brand is bought.

OPINION LEADERS	OPINION RECIEVERS
Self-Improvement Motivations • Reduce post purchase uncertainty or dissonance • Gain attention or status • Assert superiority and expertise • Feel like an adventurer • Experience the power of – Converting others	• Reduce the risk of making a purchase commitment • Reduce research time
Product - Involvement Motivations • Express satisfaction or dissatisfaction with a product or service	• Learn how to use or consume a product • Learn what products are new in the marketplace
Social Involvement Motivations • Express neighborliness and friendship by discussing products or services that may be useful to others	• Buy products that have the approval of others, thereby ensuring acceptance
Message Involvement Motivations • Express one's reaction to a stimulating advertisement by telling others about it	

Table 4.1. Motivations of Opinion Leaders and opinion

11.9 RECEIVERS CHARACTERISTICS OF OPINION LEADERS

Let us now take a look at the main characteristics of opinion leaders. Some of the main features that all opinion leaders have are: Characteristics of Opinion Leaders

Opinion leaders are more knowledgeable, and have a keen level of interest.

✓ More involved in the product category

✓ Have local friendship and social interaction

✓ Can disseminate information

✓ Have high credibility

✓ Have more self-confidence, are more sociable and cosmopolitan, can take risks.

Opinion leaders are activated greatly to reduce distance process for the products they have bought; may want to influence neighbours and friends. They involve themselves, to confirm their own judgment. They are younger, have more education, have a higher income, and higher occupational status. They are exposed to media. See more movies and television. Also read information magazines and technical publication devoted to the product category. Having greater knowledge about the product, they can disseminate more and true information about the products and their usage.

Opinion leaders are therefore a case of study to marketers and their strategies are evaluated and formed, keeping the opinion leaders and their roles in mind.

Opinion leaders are perceived to be highly credible sources of product related information. Opinion leaders are persons who are considered to be knowledgeable. They often voice their opinion based on first hand information.

Opinion leaders are gregarious people and also have a lot of experience: Their experience as a shopper and user sets them apart from other people. Since most of their advice is based on first hand experience, opinion receivers have a lot of confidence in their advice. Besides, because of their gregarious nature, people enjoy interacting with them.

Opinion leaders usually provide unbiased information, i.e., they provide both favourable and unfavorable information to the opinion seekers: This adds credibility to them and opinion seekers have faith that they are receiving correct information.

Opinion leaders are both sources of information and advice

Opinion leaders have got greater exposure to the media, especially in their area of leadership

Opinion leaders tend to be consumer innovators

Opinion leaders have got some personal product specific characteristics like personality traits, social status and demographic characteristics

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A profile of Opinion Leaders

Now we need to study a profile of opinion leader so that we can identify them. It would be a very difficult job to exactly identify the profile of opinion leader, but we have a generalized profile as shown in table 4.2

General attributes across product categories	Category specific attributes
Innovativeness	Interest
Willingness to talk	Knowledge
Self-Confidence Gregariousness	Special-interest Media exposure
Cognitive differentiation	Same age
	Same social status
	Social exposure outside group

Table 4.2. Profile of Opinion Leaders Frequency and Overlap of Opinion

Often we can see that more than half of the people studied in any consumer research project are classified as opinion leaders with respect to some self-selected product category. The frequency of consumer opinion leadership suggests that people are sufficiently interested in at least one product or product category to talk about it and give advice concerning it to others.

Market research suggests the existence of a special category of opinion leaders, **the market maven.** These are the consumers who possess a wide range of information about many different types of products, retail outlets, and other dimensions of markets.

Some important characteristics associated with market maven are:

They both initiate discussions with other consumers and respond to requests for market information.

Although they appear to fit the profile of opinion leaders in that they have high levels of brand awareness and tend to try more brands, unlike opinion leaders their influence extends beyond the realm of high-involvement products.

Market mavens are also distinguishable from other opinion leaders

because their influence stems not so much from product experience but from a more general knowledge or market expertise that leads them to an early awareness of a wide array of new products and services.
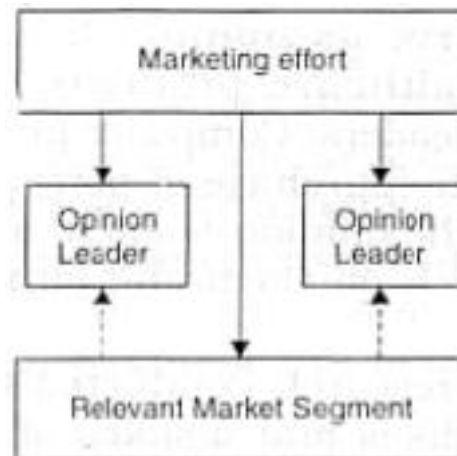
Fig. 4.1 Information Flow

The figure shows that the opinion leaders seek relevant information from the mass media and other sources, and transmit the same to members of the group. The dashed line shows the feedback from the group to the opinion leaders.

Interpersonal Flow of Communication

You might have observed that ideas often flow from radio and print media to opinion leaders and from them to the general public. This is the concept behind the **two-step flow of communication** This so-called two-step flow of communication theory portrays opinion leaders as direct receivers of information from impersonal mass-media sources, which in turn transmit (and interpret) this information to the masses. This theory views the opinion leader as a middleman between the impersonal mass media and the majority of society.

A more comprehensive model of the interpersonal flow of communication depicts the transmission of information from the media as a **Multistep flow**. The revised model takes into account the fact that information and influence often are two-way processes in which opinion leaders both influence and are influenced by opinion receivers.

11.10 OPINION LEADERSHIP AND THE FIRM'S MARKETING STRATEGY

Marketers have long been aware of the power that opinion leadership exerts on consumers' preferences and actual purchase behavior. Many marketers look for an opportunity to encourage word-of-mouth communications and other favorable informal conversations. New product designers take advantage of the effectiveness of word-of-mouth communication by deliberately designing products to have word-of-mouth potential. A new product should give customers something to talk about.

Proof of the power of word-of-mouth is the cases in which critics hate a movie and the viewing public like it and tell their friends. In instances where informal word of mouth does not spontaneously emerge from the uniqueness of the product or its marketing strategy, some marketers have deliberately attempted to stimulate or to simulate opinion leadership.

There are different opinion leaders for different products. The marketer must determine through research, experience or logic, the role an opinion leader plays in the existing situation for a product or service. Consumers talk to each other about their experiences and performance of the product. If their experiences do not meet expectations then there is cause for concern, and the marketer must take relevant steps to redress their complaints.

This can be reduced by utilising the knowledge of opinion leaders, which are rather difficult to identify. Opinion leaders are gregarious and tend to belong to clubs and associations. Some product categories have professional opinion leaders who are also very influential.

Hairstylists serve as, opinion leaders for hair-care products. For healthcare products-pharmacists are important opinion leaders. Computer professionals can give an opinion about the purchase of personal computers. The idea is to identify the opinion leaders, and then undertake a marketing research on them and formulate a marketing strategy.

The marketing research conducted on opinion leaders gives ideas of the likes and dislikes of the product users and their categories. Various tests should

include the product use test, the pre-testing of the advertising copy, the media preferred for customers to respond favourably to the firm's marketing mix. The sampling should be done from amongst the opinion leaders. In retailing and personnel selling various techniques can be adopted to attract customers like, one meal extra for every three meals or, pay for two and take three or, a "fashion advisory board" can be constituted in clothing stores.

In advertising, people of prominence and, owners can be used and their experiences and satisfaction received can be projected through conversation and, by giving their impression to the general public and non-owners of the product. Opinion leaders can be used effectively in commercials to promote the product to the masses.

11.11 LET US SUM UP

The buyer does not always follow rigid rules while making buying decisions. The buyer is exposed to a lot of information about the product. Many factors are considered before making the purchase decision. The buyer's purchase decision is very often influenced by the social environment consisting of family, society, neighbours, friends, job and colleagues. Such influences will be seen in the response to the product brand, stores patronage and purchase timing.

11.12 CHECK YOUR PROGRESS

Q1.   Explain Opinion leadership. Distinguish between opinion leaders and opinion receivers.

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Q2.   What are the characteristics of an opinion leader?

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Q3. Give an account of the profile of opinion leaders.

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Q4. Why is an opinion leader a more important source of product information than an advertisement for the same product?

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Q5. Describe about the frequency and overlap of opinions in information flow.

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Q6. How opinion leadership does define the marketing strategy of a firm?

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_____

11.13 GLOSSARY

- **Opinion Leadership**: The process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients.
- **Opinion Receiver:** The person is the **opinion leader** and may become an opinion receiver.
- **Opinion seekers**. Individuals who actively seek information and advice about products are often called opinion seekers.

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6.   Ramanuj Majumdar, op. cit., p. 238.

7.   Philip Kotler, Gary Armstrong, Prafulla Y. Agnihotri, Ehsan ul Haque. 2012. *Principles of Marketing A South Asian Perspective*. Noida: Dorling Kindersley (India) Private Limited, p. 117.

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UNIT IV	LESSON:12

STRUCTURE

12.1   INTRODUCTION

Communication is defined as the flow of information from a sender to a receiver with the latter having a proper understanding of it. Marketing communication or consumer communication may be defined as the flow of information about a product/service offering from a marketer to the consumer. This could assume two forms, i) it could be personal via interpersonal communication between the marketer and the salesperson or the dealer; or ii) it

could be impersonal via a channel or a media (print, audio-visual etc.). Marketers make use of his promotion or communication mix, which comprises advertising, personal selling, sales promotion, publicity and direct marketing to communicate with their consumers. They inform the consumers, both current and potential about their product/service offering, as well as any changes brought about in the marketing mix. They try to keep the consumers well informed about the product/ service offering, and the changes that are brought about. The consumers also on the other hand, keep themselves informed both through the marketer's efforts as well as through the informal interpersonal communication that they have with their family, friends, peers etc through word-of-mouth. Both the sources, formal (from the marketer), as well as the informal (through word-of-mouth) have an important role to play in communication.

12.2 OBJECTIVES

After going through this until you should be able to:

- Definition and Meaning of Consumer Communication

- Components of the Communication Process

- The Marketing Communication Process

- Diffussion process

12.3 COMPONENTS OF THE COMMUNICATION PROCESS

There are three major components of the communication process, viz., sender, receiver and the media. Apart from these, there are two sub-components, viz., feedback and noise. The message is encoded by the sender, transmitted via a media, decoded by the receiver, who then provides a feedback. At every stage, the communication process could get impacted by a disturbance, which is referred to as "noise"; this noise isn't essentially a loud sound, but these are disturbances that could occur within the sender or the media or the receiver. These components can be elaborated as follows:

```
  Message        Message        Message        Message
┌──────────┐  ┌──────────┐  ┌──────────┐  ┌──────────┐  ┌──────────┐
│  Source  │──│  Encode  │──│ Channel  │──│  Decode  │──│ Receiver │
└──────────┘  └──────────┘  └──────────┘  └──────────┘  └──────────┘
      ↑                         Feedback
      └──────────────────────────────────────────────────────┘
```
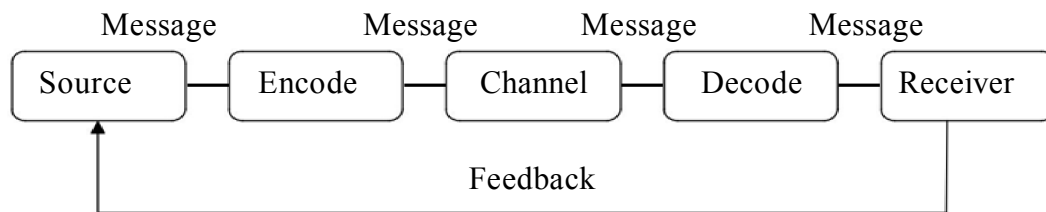
Figure: Elements of the Communication Process

i) **Sender:** The purpose of communication, expressed as a message emanates from the sender. He encodes the message by using words, pictures and gestures, and sends it via a media or a channel. Thus, the message consists of the subject matter that the sender intends to transmit to the receiver, and may take oral, written or gestural form.

   The media is the channel through which the information is transmitted. Communication could be interpersonal as well as impersonal; it is interpersonal, when two people interact with each other face to face by talking and listening, and the air and the sound waves constitute the media; it is impersonal when the communication takes place via print (newspapers, magazines, brochures etc) or broadcast audio-visual means (TV, radio, websites etc).

iii) **Receiver:** Once the message is transmitted through a media, it reaches the receiver, who decodes the message, to extract meaning out of it. There could be two kinds of errors that may take place here, i) amplification; ii) leveling. Amplification occurs, when a person adds up to the message, and exaggerates it. Levelling is the opposite of amplification, and occurs when the receiver deletes or erases part or whole of the message. After having decoded and comprehended a message, the receiver reacts with a feedback.

iv) **Feedback:** While the message moves forward from the sender to the receiver, feedback moves backwards, from the receiver to the sender, and thereby constitutes a loop. Feedback reflects as to whether the message has been appropriately understood by the receiver. It is also a means by which the sender gets to know of the receivers' reaction to his message.

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v) **Noise:** Noise can affect every stage in the communication process. It is anything that disturbs and interferes with the communication process, and acts as a barrier to effective communication. It could be internal as well as external. It is internal, when it concerns the sender or the receiver, who are not able to pay much attention or are preoccupied with something else while encoding or decoding, leading to erroneous communication. Noise could also be external, when there is a disturbance in the environment (loud sound), or when there is a problem with the media (sound waves, air, poor reception of signal etc.).

12.3 THE MARKETING COMMUNICATION PROCESS

Marketing communication is defined as transmission of information from the marketer to the consumer through a media. The basic objective behind marketing communication is to inform a consumer (or a prospect) and to make him aware about the product/service offering, and the mix; build a favorable attitude towards the offering; and to encourage a purchase. Let us elaborate on the communication process, and more specifically on marketing or consumer communication.

i) **Sender:** The communication process is initiated by the sender, who is also referred to as the message initiator or the source. In the context of marketing management and consumer behavior, the sender may be formal or informal.

The formal source would include the company (marketer), viz, both public and private organizations, those working not-for profit, as well as those working for-profit. It could include commercial organizations, government organizations as well as non-governmental organizations. On the other hand, the informal source would include family, friends, peers, colleagues and people in our reference group, who provide us with information and advice about a product/service, (word-of-mouth communication). Research has shown that consumers rely more on informal sources of communication, i.e. family, friends, peers, colleagues and people in our reference group; this is because it is believed that informal sources do not have a hidden agenda or an ulterior motive of making sales. In

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other words, unlike the marketer, who comprises the formal source, the informal sources have nothing to gain.

The sender needs to decide what to say, whom to say, when and where. In any case, the objective of the sender is to provide information about the product/service offering as well as any changes made in terms of price, distribution and promotion.

Message and Encoding: Once the sender has decided what he wants to communicate, he encodes the information into a message to be transmitted to the receiver. The sender needs to think of his message strategy, i.e., what to say, how to say it logically and symbolically, and who is to say. Thus, the message is illustrative not only of the information content, but also includes a physical format through words (verbal communication), symbols, pictures and images (visual communication) and gestures (non-verbal communication). While the information content would provide details on product/service offering, the price, the attributes, features, benefit etc, the physical form would be designed in a manner, so as to elicit emotions and moods, attitudes and imagery. So the marketer has to think of the message content as well as the message context; the former is factual and rational, the latter is emotional. The marketer needs to encode the message in a manner that is easily and accurately understood by the audience, both current consumers and prospects.

Once the marketer has decided what he wants to say and how, he encodes his message through words, pictures and images, and gestures. The message can be verbal, non-verbal, or a mix of two. The verbal message is best suited for factual/informational appeal, i.e. for providing product/service information. It is combined with an audio-visual demonstration/presentation and/or with symbolic, non-verbal means for creating a greater impact through generation of emotions and imagery within the customer. The two, verbal and non-verbal go together to create a long-lasting impact, both rational and emotional.

The marketer also has to decide on a channel and on the message spokesperson. He can have the message published (or broadcast) in the print media or the audio visual. He could make use of celebrities, experts, etc., and this leads to a discussion on the credibility of the source.

- **Credibility of the Source:** The credibility of the source (marketer/ spokesperson) affects the way that the target audience decodes the message. When the spokesperson holds some kind of expert power (he is an expert in his field), or has some charisma (he possesses charismatic power), or holds legitimacy of position (holds legitimate power), the influence that he is able to generate is much higher. He is able to convey his message and convince the consumer much easily. The receiver (consumer) regards a source to be credible when he feels that the source is perceived to have expertise and trustworthiness, and provides unbiased information. In other words, when the source is credible, honest, respected and held in esteem, the probability of the message being believed and assimilated by the target audience is much higher; the opposite hold good too, i.e. in case when the credibility is low, the assimilation of the message and the belief in the message is low.

- **Credibility is important for both formal and informal sources.** The issue of credibility assumes importance in formal sources as the consumer rightly understands that the major objective of the source (marketer) is to encourage a sale and earn profit. The reputation and expertise of the source assumes importance. The credibility of the message is cumulative of the reputation of the sender (the marketer and his organization), the spokesperson (the celebrity, expert, company representative, or anyone who acts as an endorser), and the dealer/retailer who stocks the merchandise and sells it. Other factors that affect the credibility of the message is the medium through which it is expressed, as well as the spokesperson. The consumer's own experience with the product or the retailer also affects the credibility of the message.

- The consumer basis his judgment on factors like i) the reputation of the company and its past performance; ii) the quality of its product/service offerings based on self-experience, hearsay, word-of-mouth; iii) the other lines of business that they carry; and iv) their corporate social responsibility. Once a company gets reputed with a product line, it tries to transcend the benefits of the reputed brand to the other product/service

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lines that it intends to offer. Thus, it comes up with the concept of family branding, so as to get a ready acceptance from the consumers. Once a family brand is popular and successful, the marketer focuses on institutional advertising, which is aimed at creating and enhancing the company image rather than a specific product/service brand.

- On the other hand, in case of informal sources, people rely on their family, friends, peers and colleagues for information and advice. They regard such sources to be credible. People take advice from informal sources as they feel that such sources have nothing to gain and have no hidden agenda or ulterior motive. They also feel that family and friends would speak of actual experience and give the right feedback about the product that they own. Opinion leaders also have a big role to play, and they take interest in providing information to those who approach them. But they need to be careful, because in case they provide wrong information and advice, they may lose their position/status as opinion leaders in the eyes of the public. However, there are cases where the intentions of informal sources may not be what they seem to be, and the situation may backfire; for example, there is evidence to prove that sometimes consumers try to reduce their post-purchase cognitive dissonance by convincing others to buy the same product/service offering which they have purchased. Thus, in spite of the fact that informal sources have nothing to gain and there is no hidden agenda (to encourage a sale and earn profit), such sources may not always prove to be totally credible.

The credibility of the source begins to fade away after a period of time; research has indicated that generally credibility tends to diminish after a period of six weeks. This has been termed as the "sleeper effect'; the consumers begin to loose interest and forget the message, its source and the spokesperson. The spokesperson loses his credibility. This can happen because of monotony, boredom and general loss of interest. Here, the marketer has to intervene, and reintroduce the message so as to elicit a recall.

ii) **Media:** The medium is the channel that exists between the sender (marketer) and the receiver (consumer). It is through this communication channel

that the message is transmitted from the marketer to the consumer. This channel could be i) interpersonal; ii) impersonal.

The interpersonal channel includes communication that takes place between a salesperson/dealer and a customer, either face-to-face or on telephone or on email/online. It could also be communication that takes place between friends (customer and prospect) as word-of-mouth. Impersonal media includes communication that takes place via print (newspapers, magazines, brochures etc) or via broadcast audio-visual means (TV, radio, websites etc). The message could be verbal, non-verbal, or a mix of two.

- Credibility and the Medium: The reputation of the channel that carries the message also affects the credibility of the message. In case of interpersonal channel, where communication takes place between a salesperson/dealer and a customer, the honesty, integrity and sincerity of the salesperson adds to credibility. In case of impersonal communication, messages are channeled through print (newspapers, brochures) as well audio-visual broadcast (TV, radio). However, messages channeled through neutral rating agencies, as well as articles in special interest magazines and trade magazines are regarded as more credible than advertisements in print and audio-visual; they are regarded as unbiased and objective. The reputation of the spokesperson in the advertisement also adds to the credibility; this suggests the importance of testimonials.

iii) **Receiver:** The message is received by the receiver or the target audience, who decodes the message. In our context, the consumers comprise the receiver. While the message is actually meant for the current and prospective consumers (the target audience), there are other elements who also get exposed to the message, although the message is not meant for them. Such people are comprise the "intermediary", and the "unintended" audiences.

Examples of intermediary audiences include channel members (wholesalers, retailers etc.) and professionals (architects, doctors, professors, etc.). While the former are sent trade advertising and persuaded to carry stocks of merchandise, the latter are provided with professional advertising and asked

to recommend their products/services to their customers. Examples of unintended audiences are shareholders, bankers, suppliers, employees, and the public.

- **Message and Decoding:** The message is received by the receiver, who decodes the message and responds accordingly. His reaction constitutes a feedback.

- **Credibility and the Receiver:** The credibility of the message gets impacted by how well it gets comprehended by the receiver (target audience: the consumer). The message from the marketer is decoded by the consumer. The comprehension and understanding of the message is based on i) the message itself; ii) his personal characteristics and background; ii) his past experiences; iii) his motivation, emotions and mood, involvement, attitude, personality and perception; iv) his ability to process; and v) impact of social forces.

It is observed that receivers expose themselves selectively to media as well as to the messages. This is referred to as selective exposure and selective attention. Consumers flip over pages in a newspaper or in a magazine, thereby missing out on the advertisements/editorials/testimonials. Similarly, they wander across channels on the TV and the radio, thus missing out on various advertisements. They may change channels frequently to see what is coming elsewhere (known as wandering), or may mute the TV when ads are played (known as zapping of commercials), or may change a channel when an advertisement begin being played to see what programme is being played elsewhere (surfing). Marketers try to overcome this problem, by playing their respective advertisement simultaneously across many channels at the same time, so that the consumer is exposed to the advertisement. This is referred to as roadblock-ins. The decoding of the message can also be affected by what is referred to as "noise". As been mentioned above, "noise", may be internal (to the sender and the receiver: they may be overloaded or pre-occupied, and so the encoding and the decoding may be improper) or external (a loud noise or a disturbance in the channel). The problem of "noise" can be overcome by repeating the message several times. However, repetition can lead boredom and monotony, leading to a loss of interest for both the marketer and the consumer. The marketer

then has to think of cosmetic and substantive variation in his advertisements. He could also use other techniques like subverting and forcing to overcome problems of communication overload monotony and boredom. Subverting refers to suddenly presenting something that is pleasant/charming or unpleasant/ugly, so as to catch the consumer by surprise. Jolting refers to introducing a "teaser" element in the advertisement, so as to hold the interest of the consumer (eg, Feedback is an important component in the communication process. It is the receiver's response to the sender, i.e. the consumer's response to the marketer's message. It is important that the marketer obtains feedback as quickly as possible. It is the acid test to determine whether the communication has been effective or not, as it is through this feedback, that the marketer gets to know whether the message has been correctly interpreted by the consumer. It helps the marketer to add/delete/modify his message so that the message is better understood. The customer can address issues of concern and seek clarifications from the marketer.

Feedback is crucial in both interpersonal and impersonal communication. It is easier to read customer reaction and obtain feedback in interpersonal communication, than it is in impersonal communication. This is because in face-to-face interpersonal communication, the marketer gets input from verbal and non-verbal cues, which is not the case in impersonal communication. However, the marketer cannot afford to avoid customer feedback in impersonal communication. Market researchers try to infer customer reactions to impersonal communication by their action/inaction (whether they purchase or do not purchase)

12.4 DIFFUSION

Diffusion is a macro process concerned with the spread of a new product an innovation from its source to the consuming public. Adoption is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.Diffusion of innovations is the process by which acceptance of an innovation (new products or new service or new idea) is spread by communication (mass media, sales people, informal conversation) to members of the target market over a period of time.

Some new product innovation, which were easily accepted by customers

New Product	Benefit Communicated
1. Vacuum cleaner (Eureka Forbes)	Compact, easy to use vacuum cleaner to clan and tidy, home delivery after demonstration.
2. Fire extinguisher (Real Value)	Portal piece of safety equipment-fire extinguisher.
3. Plastic water tank (Sintex)	A convenient low cost alternative to the traditional metal or concrete water tank
4. Utensil cleaner cake (Rin cake)	Premixed scouring solution in the form of bar instead of waste prone powder.
5. Mosquito repellent matt (Good Knight)	A mosquito repellent-which has no smoke, no fumes, no ash, no cream, no mosquitos
6. Diaper (Huggys)	Drier, more comfortable than cloth, disposable diaper for babies.

Table 4.3. Examples of new products/services easily accepted by consumers

12.5 THE DIFFUSION PROCESS

The diffusion process follows a similar pattern, overtime, irrespective of the social group or innovation. The typical diffusion process shows a slow growth or adoption. It later rises rapidly, and then a period of slow growth is noticed. In fast diffusion process, the product clicks immediately. The spread of innovation is very quick. People patronise the product immediately, and later on there is again slow diffusion. In slow diffusion process, the product takes a lot of time to diffuse or spread, and the consumer follows a pattern of adoption slowly by getting acquainted with the product.

Diffusion is the process by which the acceptance of an innovation (a new product, a new service, new idea or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time. The four basic elements of this process are:

1. The Innovation

2. The channels of Communication

3. The Social System

4. Time

Stages in adoption process	Steps in extended decision-making
Awareness ↓	Problem recognition ↓
Interest ↓	Information search ↓
Evaluation ↓	Alternative evaluation ↓
Trial ↓	Purchase ↓
Adoption	Post-purchase evaluation
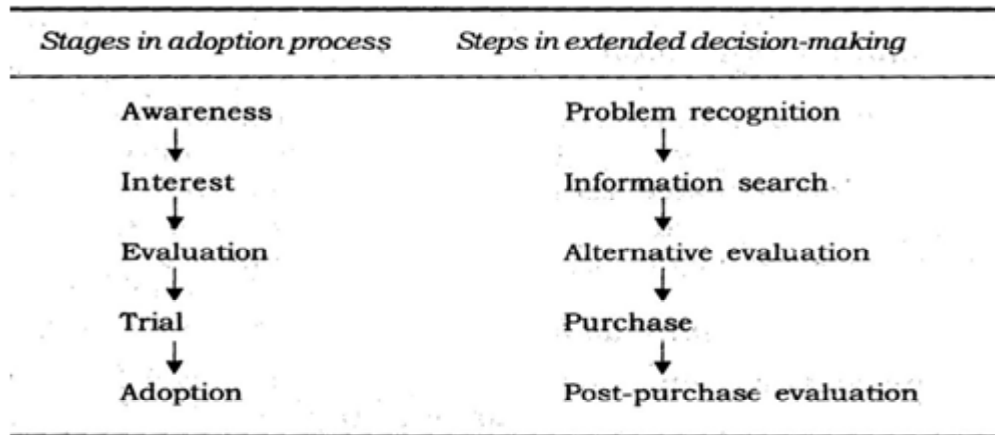
Fig. 4.2. Diffusion Process

These studies show that the products take a certain amount of time, from when it gets introduced to its saturation. The marketer therefore has to understand what determines the spread of innovation in a given market segment, and how do the early buying consumers differ from those of late purchasers.

1. The Innovation:

Various approaches which have been taken to define a new product or a new service include

Firm-oriented definitions: A firm oriented approach treats the newness of a product from the perspective of the company producing or marketing it. When the product is - new- to the firm it is considered to be new.

Product oriented definitions: Product-oriented approach focuses on the features inherent in the product itself and on the effects these features are likely to have on consumers' established usage patterns. Three types of product innovations could be: *Continuous innovation* having the least disruptive influence on established patterns involving the introduction of a modified product,

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rather than a totally new product. E.g., latest version of Microsoft Office; *dynamically continuous innovation* which may involve the creation of a new product or the modification of an existing product e.g., disposable diapers, CD players; *discontinuous innovations* requiring consumers to adopt new behavior patterns e.g., TV, fax machines, Internet

Market oriented definitions: Judges the newness of a product in terms of how much exposure consumers have to the new product. The definitions could be:

A product id 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 definitions: A new product is any product that a potential consumer judges to be new.

2.   The channels of Communication: How quickly an innovation spreads through a market depends to a great extent on communications between the marketer and consumers, as well as communication among consumers i.e., word-of-mouth communication. Thus this communication will include two types of communication:

a.   Communication between marketers and consumers

b.   Communication among consumers i.e., word of mouth.

Consumer information sources fall into four categories:

Personal sources : Family, friends, neighbors, and acquaintances.

Commercial sources: sales people, advertising, sales promotion techniques.

Public sources: Mass media, consumer rating organisations

Experimental sources: Demonstration, handling samples.

Depending on the innovation or new product, and the prospective customers, the firms try to adopt a cost effective way of communicating with them.

3. **The Social System** : The diffusion of a new product usually takes place in a social setting frequently referred to as a social system. In our case, the terms market segment and target segment may be more relevant than the term social system used in diffusion research. A social system is a physical, social, or cultural environment to which people belong and within which they function. For example, for new hybrid seed rice, the social system might consist of all farmers in a number of local villages.

The key point to remember is that a social system's orientation is the climate in which marketers must operate to gain acceptance for their new products. For example, in recent years, the World has experienced a decline in the demand for red meat. The growing interest in health and fitness thought the nation has created a climate in which red meat is considered too high in fat and calorie content. At the same time, the consumption of chicken and fish has increased, because these foods satisfy the prevailing nutritional values of a great number of consumers.

4. **Time :** Time pervades the study of diffusion in three distinct but interrelated ways:

a) **The amount of purchase time:** Purchase time refers to the amount of time that elapses between consumers' initial awareness of a new product or service and the point at which they purchase or reject it. For instance, when the concept of 'Home Land' super market was introduced by Asha Chavan in Pune, apart from offering a variety of quality products, also give an unconditional guarantee of replacement or refund, home delivery of all, even single item telephonic orders at no extra cost. And beyond business, Homeland also offers free services like phone, electricity, credit card and cell phone bill payments.

b) **The identification of adopter categories:** The concept of adopter categories involves a classification scheme that indicates where a consumer stands in relation to other consumers in terms of time. Five adopter categories are frequently used viz., innovators, early adopters, early majority, late majority, and laggards. Let us discuss about these categories later in the chapter.

c)   **The rate of adoption:** The rate of adoption is concerned with how long it takes a new product or service to be adopted by members of a social system i.e., how quickly it takes a new product to be accepted by those who will ultimately adopt it.

Type of Time	Meaning	Examples
Purchase time	Time between awareness and purchase	If you look at your car's fuel meter and it reads - Empty- you stop at the next petrol pump you come to.
Adopter categories	A classification scheme that indicates where a consumer stands, in relation to others, when adopting a new product.	If you are shopping for your second car, you may take a while to make a purchase, as long as your present car is working fine. Innovators are the first to adopt a new product, and laggards are the last.
Rate of adoption	How long it takes a new product or service to be adopted by members of a social system	Black-and-white TVs were adopted by consumers much more quickly than their manufacturers had envisioned; in contrast, trash compactors have never been widely adopted

Table 4.4. Importance of Time in the Diffusion process
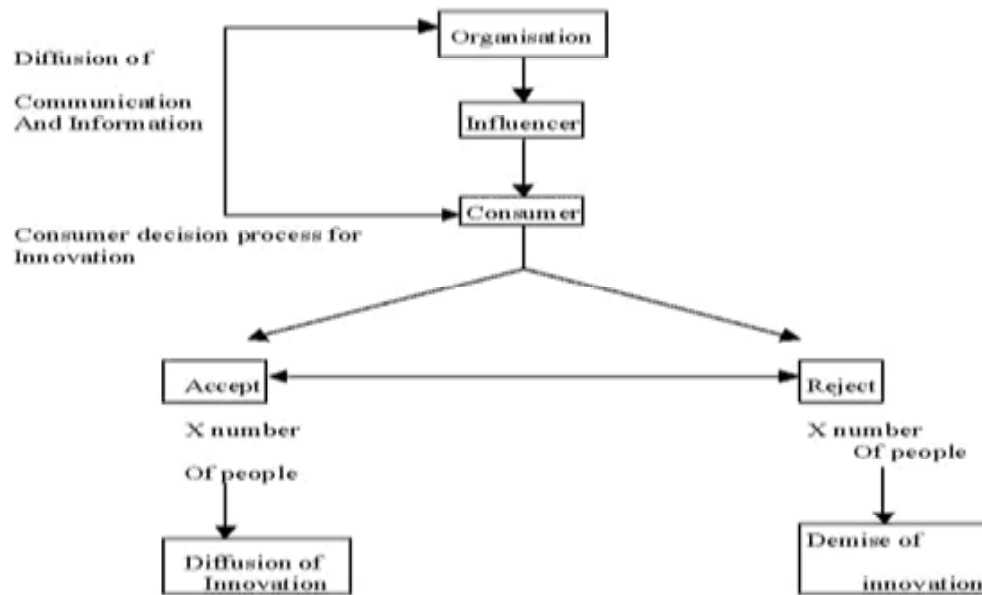
Fig. 4.3. Adoption and Diffusion of Innovation Process

The marketing objective for launching new products is to gain wide acceptance from the market as quickly as possible. So as to obtain huge market share with the new product, marketers either adopt a Penetrating strategy, i.e., low introductory price to discourage competitors from entering the market or go for a Skimming strategy.

12.6 INFLUENCE OF PRODUCT CHARACTERISTICS ON DIFFUSION

The rate of spread of innovation depends on a number of factors listed below:

1. **Type of group:** Some groups, who are young, affluent and highly educated, accept changes faster than the old, traditional and poor groups. This shows that the target market is an important determinant of the rate of diffusion.

2. **Perceived risk:** The more the risk associated with changing to new innovation, the slower is the rate of diffusion. The risk consists of the

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product not performing as expected, the risk of the consequences of change-over, and the risk of reverting back to the old product, if not satisfied with the innovative product.

3. **Type of decision:** An individual vs. a collective decision. Individual decisions lead to faster diffusion than collective ones.

4. **Marketing effort:** This also affects the diffusion process. More aggressive marketing effort, consisting of high and continuous advertising expenditure, diffuses faster than otherwise.

5. **Trial:** The trial can be taken at low cost and low risk, the diffusion is faster. Some products can be borrowed, rented or, their trial can be taken at retail outlets. These products like medicines and other low priced items have faster diffusion. These days even car outlets are giving free trials and rides to prospective customers, to make their new models of cars diffuse faster.

6. **Fulfillment of felt need:** The faster a need is satisfied or fulfilled by a product, the greater is the rate of its diffusion.

7. **Compatibility:** The more the product is compatible with the beliefs, attitudes and values of the individual or group the faster the diffusion - vegetables soup for vegetarians, ordinary microwave no roasting.

8. **Relevant advantage:** The advantage could be of price, quality, ease of handling, product quality. To have quick diffusion, the product must offer either a price advantage or a performance advantage. Washing machine is expensive, but a labour saving device.

9. **Complexity:** If the product is complex (difficult to understand and use) the diffusion is slower. The product may be complex but its use must be easy. Complexity may be because of many attributes (at- tributes complexity which are difficult to under- stand). The other complexity may be trade off complexity. The trade off takes place between cost of purchase and economy. Convenience vs. space or speed of cooking, vs. quality of cooking, as in microwave ovens.

10. **Observability:** The more easily the positive effects of the products can

be observed, the more discussion takes place and faster the diffusion process, e.g. cell phones.

Classification of Adopters

Adopters can be classified into five groups based on the time when they adopt.

Innovators: The first 2.5 per cent to adopt innovation.

Early adopters: The next 13.5 per cent to adopt.

Early majority: The next 34 per cent to adopt.

Late majority: The next 34 per cent to adopt.

Laggards: The final 16 per cent to adopt.

1. **Innovators :** Innovators are venturesome risk takers. They are younger, more educated and socially mobile. They have the capacity to absorb risk associated with the new product. They are cosmopolitan in outlook, are aware and make use of commercial media, and are eager to learn about new products, are progressive, ready to use new products.

2. **Early adopters :** They take a calculated risk before investing and using new innovations. They are opinion leaders and provide information to groups, but they are also concerned about failure. Therefore, they weigh advantages and disadvantages of the product before plunging in for a purchase.

3. **Early majority :** They tend to be more continuous and use the product after the innovators and early adopters seem to be satisfied with it. They are elders, well educated and less socially mobile. They rely heavily on inter-personal source of in- formation. They constitute 34 per cent of the consumers.

4. **Late majority :** They are doubtful and skeptical about the innovation of new products. They tend to use the product not so much because of innovation, but because of other pressures, non-availability of the product and social pressures. They have less social status, and are less socially mobile than the previous group.

5. **Laggards :** They are more traditional. They possess limited social

interaction and are oriented to the past. They adopt the innovations with great reluctance. They constitute a small portion of 16 per cent of the consumers.

As depicted in figure 4.4 below adopter categories are generally depicted as taking on the characteristics of a normal distribution i.e., a bell-shaped curve that describes the total population that ultimately adopts a product.
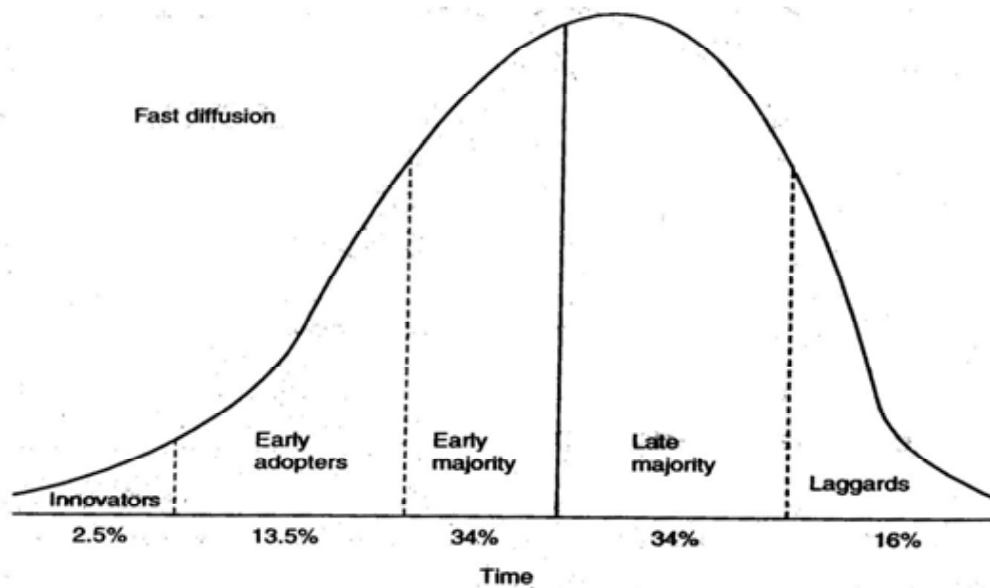
Figure 4.4 - Stages of Diffusion

Non adopter Categories

A classification of the non-adopter categories would include:

a)   **The unaware group:** Those consumers who are not aware of the new product

b)   **Symbolic rejectors:** Who, though aware of the product, have decided against buying it.

c)   **Symbolic adopters:** Who know the product will be useful or them but have not tried it.

d)   **Trial adopters:** Who have tried the product and also rejected the same.

e)   **Trial rejectors :**

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Adopter Category	Description	Relative percentage within which the population that eventually adopts
Innovators	Venturesome-very eager to try new ideas; acceptable if risk is daring; more cosmopolite social relationships; communicates with other innovators	2.5%
Early Adopters	Respect- more integrated into the local social system; the persons to check with before adopting a new idea; category contains greatest number of opinion leaders; are role models	13.5%
Early Majority	Deliberate-adopt new ideas just prior to the average time; seldom hold leadership positions; deliberate for some time before adopting	34.0%
Late majority	Skeptical-adopt new ideas just after the average time; adopting may be both an economic necessity and a reaction to peer pressures; innovations approached cautiously	34.0%
Laggards	Traditional-the last people to adopt an innovation; most -localite- in outlook; oriented to the past; suspicious of the new	16.0%

Table 4.5. Adopter categories

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Role of Personal Influence

Personal influence is another important factor, which plays a role in the adoption process of new products. This refers to what effect the statements made abut ?a new product' by one person will have on another person's change in attitude or probability. This means that based on the comments or views expressed by ones personal friend or acquaintance one may change the decision to adopt a new product or innovation. It is usually observed that consumers and especially women prefer to consult one another's friends and value the opinions expressed by them about new products, the quality differences among the different brands, store at which to purchase to experience shopping and so on.

Market strategy related to diffusion.

There are differences in the early purchasers or innovators and late purchasers (Laggards). The strategy for the target market adopted is a "moving target market" approach. First the general target market is selected, and then the focus shifts to innovators, early adopters, early majority, late majority and laggards. This takes place as the product keeps getting acceptance from the consumers. There is then a change in the media and advertising themes for different target groups.

Diffusion enhancement strategies

The idea is to find out the diffusion inhibitors and to eliminate them for the enhancement of diffusion. For this the diffusion determinants are analysed, and diffusion strategies framed, as given in table below.

Diffusion Determinant	Diffusion inhibitor	Diffusion enhancement strategies
1. Type of group	Conservative	Try other markets modern traditional and consumer
2. Perceived risk	High	Give guarantees, reduce risk by endorsing with credible sources
3. Type of decision	Group	Choose media to reach all decisions deciders and provide conflict reduction themes

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4. Marketing effort	Limited	Extensive and aggressive marketing effort
5. Trial	Difficult	Distribute free samples to early adopters. Use high service outlets
6. Fulfillment of felt need	Weak	Show importance of benefits use extensive advertising
7. Competibility	Conflict	Stress attributes consistent with values and norms
8. Relevant advantage	Low	Lower the price-redesign the product
9. Complexity	High	Use extensive marketing effort. Use skilled sales force. Use demonstration of product
10. Observability	Low	Expose the product more through promotion and advertising

Table 4.6. Diffusion enhancement strategies

12.7 ADOPTION PROCESS

The second major process in Diffusion of Innovation is "Adoption". Adoption is a micro conceptthat lays emphasis on the various phases or stages through an individual consumer passes whileaccepting/rejecting a new product or service offering. The study of adoption is important for amarketer in the sense that it helps him understand the various stages through which a consumerpasses right from his initial awareness to the final acceptance/rejection. It may so happen that theinnovative offering may be existing for long in the market, but the consumer is unaware of it; or, it mayhave existed in the market for long, but is regarded as "new" because the consumer has heard of it forthe first time. This implies that consumers could differ in the manner they complete their purchaseactivity, right from initial awareness to the final act of purchase. This could mean that the marketerneeds to design his selling strategy accordingly. Schiffman defines adoption as "the stages through which an individual consumer passes while arriving at a decision to try or not to try or to continue using or to

discontinue using a new product". Consumer researchers have proposed a number of models to describe the steps in the adoption process, viz., Heirarchy of Effects' Model, Robertson's model, and Roger's model (see table). The models explain the stages through which a prospect passes to end up being a consumer, right from the stage of initial awareness to final adoption. Generally speaking, the consumer passes through five stages of adoption, viz., awareness, interest, evaluation, trial, and adoption (or rejection). The assumption underlying this general model of adoption is that when a new product/service is introduced, prospects go through an information search which could range between limited to extensive; of course, for some products this search is highly limited (routine purchases). The five stages are explained below:

i)   **Awareness:** This is the first stage in the adoption process, where the consumer is exposed to the new product/service offering, and gets to know of the product. The marketers' objective here is to provide some awareness about the innovation, the features and benefits as also the brand. The consumer is generally passive and acts as a mere recipient of information. He becomes aware but lacks sufficient knowledge about the new offering.

ii)   **Interest:** In this next stage, the consumer begins to develop some interest in the innovative offering, and thereby puts in some effort to know more about it. The consumer becomes active in his search for information and tries to elaborate on the information received at the awareness stage. He actively searches for information about the new product /service and tries to assess how it can benefit him.

iii)   **Evaluation:** The consumer who has acquired knowledge about the innovation, now begins to evaluate; he evaluates whether, i) more information search is necessary with respect to the innovation as well as to the brand; ii) he is sufficient with the product/service information that he possesses. The consumer also evaluates the innovative offering in terms of the attributes, features, and overall benefits, as compared to existing alternatives; he assess the "value" of the product/service offering and the brand. If he feels that the offering provides "value", he goes in for the

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next stage which is trial; else the process is aborted, and the innovation rejected.

iv) **Trial:** The consumer goes and tries out the innovative offering, but there is not yet any further purchase (repurchase) commitment. The product/ service is experienced on a small scale and used on a limited basis only, to determine the worth or usefulness.

v) **Adoption (Rejection):** Based on the trial stage, and the resultant experience, the consumer would decide to decision to use/reuse/patronize the offering. If the experience is satisfying, and the evaluation favorable, the innovative offering would be accepted, else it would be rejected. While this five staged procedure constitutes a general model of adoption of innovation, it has been criticized to be very general that lacks the complexities of real life buying and consumption.

Researchers argue that:

- The model does not indicate a need recognition stage or a problem solving scenario; critics argue that when faced with a problem, the prospect's approach towards an innovative offering would be much different, than when he is not faced with one.

- Evaluation takes place both before and during trial; in fact it takes place throughout the process.

- Trial is no guarantee for future purchase or repurchase; although experience may be satisfactory, a consumer may never use the product/ service offering again.

- The model makes no mention of post purchase behavior; it does not speak of cognitive dissonance, neither does it speak of post purchase evaluation leading to a commitment to use/reuse/patronize the offering in future.

Thus, keeping in view these realities, the model has been modified, and consumer researchers have incorporated two more stages between trial and adoption, viz., direct product experience (consequences), and product evaluation (confirmation). Direct product experience refers to experience with the product/ service offering on a longer duration; so as to experience its consequences and

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to assess it better. Product evaluation refers to assessing the consequences of the experience so as to accept the innovation or reject it After modification, the stages of the model stand as Awareness, Interest, Evaluation, Trial, Direct product experience, Product evaluation, and Adoption.

The Adoption Process and the Facilitators:

Information sources act as a strong facilitator in the adoption process; right from the stage of awareness to that of final adoption, information remains a strong determinant. Marketing communication and in particular, impersonal sources like print and audio-visual media have a major role to play in creating awareness about a new product/service offering. Thereafter, their impact goes to on decline relatively, and that of interpersonal sources (family, friends, peers and colleagues, as well as salespeople) goes on to increase. In fact interpersonal influence that gets reflected in social influence and/or social approval acts as a major determinant in adoption of innovative products and services, primarily in stages of trial and final adoption. These diffusion inhibitors have to be analysed, and strategies formulated accordingly.

12.8 LET US SUM UP

We as consumers always find a new innovation-idea or product or even new service attractive. However, for the firm which is trying its hand at the new innovation, there is always a question hanging around ?How fast will the diffusion of the innovation take place?? This is to say that any innovation has got an element of risk involved. The firm will introduce a new concept or a new product after an intensive research is carried out by it. Thus we see that the process of diffusion of innovation is very critical to a firm.

12.9   CHECK YOUR PROGRESS

Q1.   Discuss marketing communication.

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Q2.   Discuss credibility of source in marketing communication?

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Q3.   Explain in detail the adoption process

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Q4.   Describe the influence of product characteristics on diffussion.

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12.9 GLOSSARY

-	Opinion Leader	-	Discontinuous innovation
-	Opinion receiver	-	Dynamically continuous innovation
-	Opinion seeker	-	Continuous innovations
-	Two-step flow of communication theory	-	Innovators
-	Multistep flow of communication	-	Early adopters
		-	Early majority
-	Market mavens	-	Late majority
-	Diffusion of innovations	-	Laggards
-	Diffusion process	-	Enhancement strategies
-	Innovations		

12.11 SUGGESTED READINGS

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UNIT V	LESSON:13

MARKETING RESEARCH AND MARKETING INFORMATION SYSTEM

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STRUCTURE

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13.1 INTRODUCTION

Marketing is a very essential function of every business organisation. In order to survive in the existing highly competitive environment, marketers need to have access to vital information on the changing consumer needs, competitors', moves etc. This can be taken care of by investing in Marketing Research which will not only provide the necessary information but also aid the decision making process.

The chapter had commenced with a brief explaination on how two research studies helped to analyse the market. Now we continue with defining and explaining the meaning of the term, Marketing Research. Then we will examine the utility and scope of marketing research. Thereafter, we will discuss the limitations associated with marketing research. The chapter concludes with a brief discussion on the history of marketing research and the ethics involved in marketing research in India.

13.2 OBJECTIVES

After going through the chapter you should be able to:

- define Marketing Research (MR).

- analyse the utility and scope of marketing research.

- examine the limitations of marketing research.

- give an outline of the history of marketing research.

13.3 MEANING AND DEFINITION OF MARKETING RESEARCH

Before going into the definition of Marketing Research, let us briefly examine the meaning of the terms 'Research' and 'Market Research'. Simply stated 'Research' refers to the process of collecting, documenting and analysing important, critical and relevant information pertaining to any problem or question. This means that the presence of a problem or query or question implies research is to be undertaken.

Thus, Research connotes a thorough, objective and systematic

investigation of a subject or problem in order to uncover the relevant information. Here again, research can be said to be either "Pure" or "Applied" in nature. Pure research is sometimes referred to as "Fundamental"or "Basic research" also. This research is done on an ongoing basis to increase its existing knowledge base in a particular area, not necessarily an immediate solution to an existing problem. For instance, this research method would be able to predict what Indian consumers may like to wear after, say 'x' number of years. Another example of basic research can be related to Prof. Arun Kumar's (Economics Professor of Jawaharlal Nehru University) study on the Black Economy of India or the National Council of Applied Economic Research's (NCAER) study on the super rich.

Applied research tries to use the existing information to solve a problem or provide the solution to gain a marketing edge over competitors. For instance, data base on existing credit card users can be used to work out inputs on additional benefits that can be extended to them. This can prove to be the starting point for the planning and development of the 'add ons' for credit card users.

As the cliche goes, 'knowledge is power'. In India, the knowledge boom is a fallout of the post-liberalisation age. Indian marketers have realised that being information savvy and the need to get a better fix on the demand supply equations which drive the markets is very important to gain that cutting edge over competitors. This means that in marketing, the emphasis is going to be on applied research. Thus, a very useful definition of Marketing research is :

Marketing Research is the systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing. **(Burns & Bush, 2009)**

Marketing Research is a systematic and objective search because careful planning starting with a clear and concise statement of the problem to be researched, to the objective (scientific method of marketing) collecting and finally, analysing of information is to be carefully planned and worked out.

The term "Problem" is used in a broad context and need not indicate that something is wrong. It could be referred to as an eye opener and is an integral

part of this information boom. The information unfolded can help them to keep tabs on all sorts of data (sometimes maybe unrelated products) to figure out how their consumers think and behave.

13.4 UTILITY AND SCOPE OF MARKETING RESEARCH

Post liberalisation and with the integration of the Indian industry with the global economy, the customers have also become more aware, demanding and sophisticated. With the advent of e-commerce and the disappearance of trade barriers, marketing firms need to stretch themselves in order to reach out to customers.

Exposure to global competition has ensured that the Indian consumer has developed a greater awareness of international lifestyles and views resulting in a clash between Indian and foriegn brands. Further, with the disappearance of trade barriers, customers no longer prefer local brands. She has learned to appreciate the 'quality aspect' of the brand more than the cost. This means organisations have to vigourously invest in marketing research and build brands that are acceptable to the Indian consumer. Thus, it can be seen that marketing research will continue to play an important role in the decision making process of a marketing manager.

The utility and scope of marketing research can be examined by having a look at the reasons why organisations are required to carry out researches.

(a) **When organisations get evolved and start growing and expanding their markets, marketers need to keep in touch with the final customers who are far away from the manufacturer.**

(b) **Organisations and marketing managers need to have exact information on the target customers' unmet needs, deliver products and services effectively and carry out activities which will add to customer satisfaction and delight**.

Typically, organisations in the normal course of business, distribute their products through various channels of distribution and so have little direct contact with the final consumers. Hence, such organisations make use of marketing

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research to gather information and knowledge about their customers needs, attitudes, opinions (or feedback), preferences etc. There are many areas in marketing, where marketing managers require different kinds of information in order to be able to satisfy customers' wants as well as design suitable marketing programmes better than competitors. These areas include:

1. Gathering all relevant information related to the target market, i.e., identify the most suitable target market, its size, its demographic profiles, etc.

2. Collecting information with relevance to the products or services, i.e., how satisfied or dissatisfied are the target market with the existing products and services, the desired product features and attributes being sought by consumers and so on.

3. Gathering information related to the price value assumed by the target consumers. What are the consumers' opinion on the price of the existing products? Do they feel that they have received the value for the price paid for the product?, and so on.

4. To find out the most preferred channel of distribution by the target market. Are the customers satisfied with the existing channel of distribution? Will the organisation's pricing policy be in line to what the target market expects to pay for using the particular channel and so on.

5. Collect information on working out the various vehicles of promotion to be used by the organisation. Ascertain which promotional vehicle will appeal to the target market? When and where to use each promotional tool? and so on.

c) **Marketing research during the organisation's administrative process:**

Marketing research can also help managers during the various phases of the administrative process. The main four phases of the administrative process where managers can make use of marketing research are:

Phase 1: Setting goals and establishing strategies: When managers are attempting to decide upon a new strategy to be pursued, then marketing research will help to generate the necessary information. For instance, changes in the media trends, such as more preference for interactions with customers

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signaled the emergence of an opportunity to many of the entertainment channels to be involved in interactive programme sessions with their target audience. This is seen in the reality programmes being telecast on the various T.V. entertainment channels. In the same way, (change in needs, wants and/or) unhappiness (or dissatisfactions) in certain market segments, etc., can indicate that a problem exists and needs to be solved.

Phase 2: Developing a marketing plan: For developing marketing plans, managers make use of marketing research to identify key market segments. Marketing research can help managers to identify important product attributes and advertising considerations to be included in their marketing plans. It will help them to work out suitable marketing plans to tap an emerging market. For instance in e-commerce business, Amazon has established itself as the leader in online retailing in the U.S and has been interested in entering a large emerging market like India. Research indicated that with broadband reaching only two to five per cent of Indians, the potential of online retailing is very large here. Having solid logistics network suitable in an emerging market like India is to be worked out. Since the target market is varied, amazon.com will have to decide on a marketing plan on how to provide technology assisted shopping experience to their customers in India.

Phase 3: Put the plan into action: When putting a marketing plan into action, the management will need to use marketing research to measure and analyse the effectiveness of the programme. For instance, before the launch of Tata Nano, Tata Motors had carried out a detailed marketing research, which identified the need of a new 'Ultra Low Cost" (ULC) car segment across many global countries (markets) and accordingly planned, developed and launched the Nano Car.

Phase 4: Evaluating the effectiveness of the plan: The information received through marketing research can be used by managers to evaluate the effectiveness of the plan. These could include measuring: brand awareness, trial rates, repeat purchase traits, customer satisfaction etc.
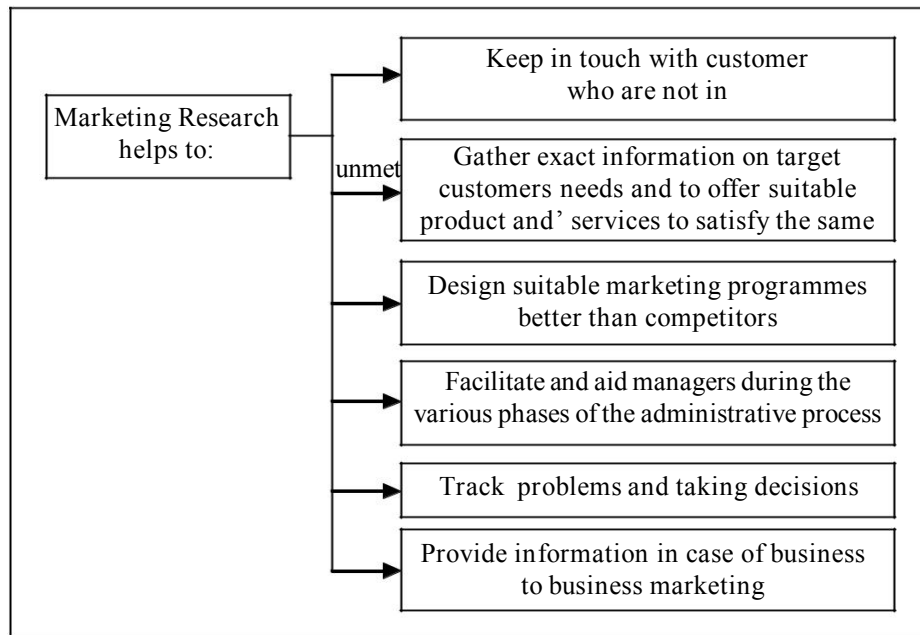
Figure: Utility of marketing research

d)   Tracing problems and taking decisions :

Long ago, a marketing director had said of research: "A blind man uses a white stick to avoid walking into large obstacles in his path and to define his passage around the world. Market research is the businessman's white stick. It prevents him from blundering sightlessly into large objects designed to do his company significant financial damage". (Robin JB, 1999)

The primary activity of a manager in an organisation is to bring about solutions by taking effective decisions. The usual process of decision making requires that the following types of decisions be taken.

From the figure 1.2 given below, it is seen that management decisions are evolved around the existing problem at that point of time. In case of a marketing manager, he/she will be required to take decisions related to marketing problems with the help of a market research study. Traditionally, market research has performed two important functions for managers. Firstly, reduce the level of uncertainty experienced by the marketers by providing them intelligent statistics

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and information. Such information will help them to take rational decisions to monitor the sales and marketing decisions taken by them, and further decide whether any revision or rethinking needs to be done. Of course ultimately the successful story behind the well established brands can be credited to the development of a systematic market research programme, customised for the firm and integrated into the management planning system.
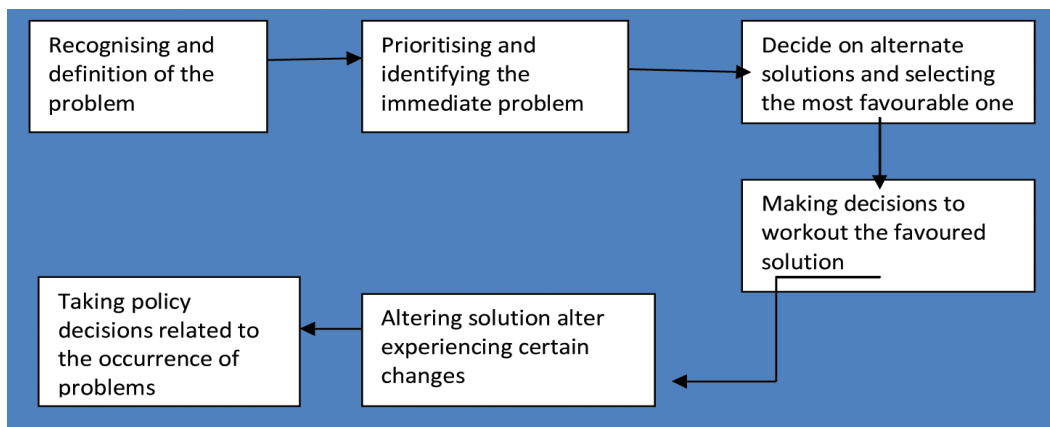
Figure:Usual management decisions

Thus, the marketing manager may identify problems related to product (brand), price (artificial/real), distribution (supply chain/packaging) or promotion (media/ advertising) etc. Then he will have to prioritise and select the most pressing and immediate one for solving, based on the information available try to reach the best possible solution, if required modify this solution based on additional information obtained and lastly to establish policies which may prove to be handy in case of reoccurrence of the problem.

e)   Provide information in case of business to business marketing :

Business to business marketing is very different from the marketing of consumer goods. Such "industrial" goods and services involved in business to business marketing are much more expensive and complex than consumer goods. Such goods are very often intended to serve different needs and purposes within the organisation. For instance, in the production department, when plants and machinery are purchased, the vendor will be required to tailor the product to the

specific needs of the 'business client' and also provide a maintenance service contract on a long-term basis.

Usually teams of people provide inputs into the 'buying centre' and decision making will be a long procedure because it involves the interests of all those involved in the 'buying centre'. Further, utilisation of organisational expertise will help in avoiding needless mistakes or ommissions. Now with many industrial marketers venturing into global markets there is a greater need to gather information on a larger scale in order to analyse and identify consumer needs more precisely. They are also moving away from an almost exclusive personal contact with the customer to an indirect one by using other media such as telecommunication and computer networks.

It will be apt to note that there is a lot of demarcation between the different individuals involved in the buying process, complexity of the various issues, risks involved, etc., when making a comparison between industrial marketing and consumer marketing. Certain typical features of industrial marketing research are shown in Figure 1.3.

Buying centres involving small group of customers - sometimes across boundaries

Information obtained from face to face interactions or business contacts

Involvement of high risk and complex business decision

Complex buying process involving diverse interests of the group members

Features of Industrial Marketing Research

Emphasis on sales policy and personal selling

Difficulty in collecting information because of sensitivity of group members

Personal contact more appropriate than sampling

Limited accessibility to subjects involved

There are also various factors influencing industrial buying decisions which strongly differs from those that influence the individual consumer's decisions. However, information needs and research are still very crucial and thus the need to carry out research systematically in both the types of marketing.

13.5 LIMITATIONS OF MARKETING RESEARCH

Inspite of the many advantages there are also certain limitations of marketing research.

These limitations are briefly discussed below:

1. May not be an answer to all problems : Marketing research cannot provide solutions to all business problems. Marketing research will help the marketers to the extent of providing accurate information by making use of samples and various statistical tools. To obtain optimum results, the user of the information should see to it that errors due to statistical tools are eliminated to arrive at exact results

2. May be difficult to arrive at suitable solutions when faced with too complex market problems : When faced with complex problems, the researcher may have to use a lot of time, money and techniques to arrive at the answers. The result findings will be accurate only if the researcher has the appropriate training to carry out the research.

3. Marketing research, though uses various techniques of science, is not an exact science, so the conclusions drawn are often not accurate. Further, the research is carried out on consumers, suppliers, vendors, etc., who may not be able to correctly express their attitudes, beliefs, perception, motivation etc. So, the results or conclusions arrived at may not be very accurate. This is because it is concerned with the study of human behaviour, which is always very difficult to predict.

4. Often, in business organisations, there is not much interaction between the marketing research department and the main research executives. So, when the research department is in segregation, it can make research ineffective.

5. Due to paucity of time and wanting of quick results, researchers carry out research via telephones or mobiles, which may not always be a true representative sample since not everyone has a mobile phone. Apart from the limitation on penetration, such mobile phone methods can lack depth due to the inability of the researcher to obtain detailed information from the respondents. Further, there could also be inconsistencies which usually emerges when data is self-reported (as in case of mobile phones).

6. Effectiveness of the marketing research will to a great extent depend upon the ability of the researcher carrying out the study. It can be effectively and profitably carried out by persons who have sound knowledge of statistical tools, data processing and operational research etc. However, often such competent and expert personnel are not easily available.

7. Marketing research only provides suggestions not ready-made solutions to marketing problems. It is a tool which will help marketing managers to take decisions. The effectiveness of marketing research will depend upon the experience, judgemental ability and skill of the marketing decision maker.

8. Marketing research can only predict possible future tendencies and so the conclusions may not be hundred per cent dependable. Marketing research only helps to make an estimate about possible future situations. So the conclusions from the study arrived at may not be complete, perfect or accurate as it is based on predictions of future situations, which is again uncertain. The guidance offered can also work out to be outdated at the time of taking current marketing decisions.

9. Marketing research is a costly, time consuming and lengthy activity. Marketing research is costly since it requires engaging the services of experts in the fields of Economics, Management, Statistics, Computer, etc., who have the necessary expertise, knowledge, maturity and skill. The organisation needs to invest in advance training and pay for engaging the services of such experts. The marketing research also needs to be carried out in the form of various steps which have to be completed in an

orderly manner over a long period of time. By the time the research findings are available, it may prove to be old and outdated in case of current marketing problems.

10. Non availability of qualified staff and resistance by marketing executives. Research is to be carried out by professional researchers with suitable qualification, training and experience who may not be easily available. There could also be resistance from marketing researchers if they feel that the findings of the research are more academic in character and lack practical utility. This, they may feel will not be useful in taking policy decisions. So, a lot of care needs to be exercised to ensure that conflicts between researchers and executives do not arise, otherwise, it may act as a limitation to the marketing research activity.

Figure 1.4 gives in brief, the various limitations of marketing research.

Simply put, marketing research facilitates by providing information to aid the decision making process (Tull D.S. and Hawkins D.I., 1990). But it must be remembered that marketing research by itself does not help to arrive at marketing decisions. Further, by carrying out marketing research it is not a guarantee that the organisation or manufacturer will be successful in marketing its products and services. However, if researchers carry out the research in a systematic, analytical and objective manner, the above mentioned limitations can be dealt with.Such marketing researchers can also reduce the uncertainty in the decision making process, as well as increase the magnitude and probability of success. Nevertheless, the marketer will have to take into consideration the following factors before taking the decision to carry out the research: (a) relevance of the study (b) type and nature of information sought, (c) time availability (d) available resource and (e) the cost benefit analysis.

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│  ┌───────┐                                                       │
│  │   L   │  ──────►  May not be an answer to all problems        │
│  │   I   │                                                       │
│  │   M   │  ──────►  When faced with complex market problems it  │
│  │   I   │           may be difficult to arrive at suitable      │
│  │   T   │           solutions                                   │
│  │   A   │  ──────►  Being an inexact science, conclusions drawn │
│  │   T   │           are often not accurate if research          │
│  │   I   │           department is in segregation, it can make   │
│  │   O   │           the research ineffective                    │
│  │   N   │  ──────►  It is a time consuming activity             │
│  │   S   │  ──────►  Effectiveness depends upon the ability of   │
│  │       │           the researcher carrying out the research    │
│  │       │  ──────►  Only provides suggestions, not solutions to │
│  │       │           marketing problem                           │
│  │       │  ──────►  It is a costly and lengthy activity         │
│  │       │  ──────►  Cannot be properly implemented in the       │
│  └───────┘           absence of qualified staff or resistance    │
│                      from the company's marketing axecutives.    │
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Figure 1.4: Limitations of Marketing Research

13.6 MARKETING INFORMATION SYSTEM

A Marketing Information System (MIS) is a management information system designed to support marketing decision making. Jobber defines it as a "system in which marketing data is formally gathered, stored, analysed and distributed to managers in accordance with their informational needs on a regular basis." Kotler, et al. (2006) define it more broadly as "people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers." A formal MIS can be of great benefit to any organization whether profit making or nonprofit making, no matter what its size or the level of managerial finesse. It is true today that in many organizations, MIS is integrated as part of a computerized system. Management Information System (MIS) is an indispensable resource to be carefully managed just like any other resource that the organization may have

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e.g. human resources, productive resources, transport resources and financial resources. A marketing information system (MIS) is a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis. A marketing information system can be used operationally, managerially, and strategically for several aspects of marketing. Some enterprises approach marketing intelligence gathering in a more deliberate fashion and trains its sales force, after-sales personnel and district/area managers to take cognizance of competitors' actions, customer complaints and requests and distributor problems

13.7   SOURCES OF MARKETING INFORMATION SYSTEM

The information needed by marketing managers comes from three main sources:

Internal company information – E.g. sales, orders, customer profiles, stocks, customer service reports etc.

Marketing intelligence – This can be information gathered from many sources, including suppliers, customers, and distributors. Marketing intelligence is a term which includes all the everyday information about developments in the market that helps a business prepare and adjust its marketing plans. It is possible to buy intelligence information from outside suppliers (e.g. IDC, ORG, and MARG) who set up data gathering systems to support commercial intelligence products that can be profitably sold to all players in a market.

(3)   Market research – Management cannot always wait for information to arrive in bits and pieces from internal sources. Also, sources of market intelligence cannot always be relied upon to provide relevant or up-to-date information (particularly for smaller or niche market segments). In such circumstances, businesses often need to undertake specific studies to support their marketing strategy – this is market research.

13.8   COMPONENTS OF A MARKETING INFORMATION SYSTEM

A marketing information system (MIS) is intended to bring together

disparate items of data into a coherent body of information. As per Kotler's1 definition says, an MIS is more than a system of data collection or a set of information technologies: "A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyze, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

The figure below illustrates the major components of an MIS, the environmental factors monitored by the system and the types of marketing decision which the MIS seeks to underpin
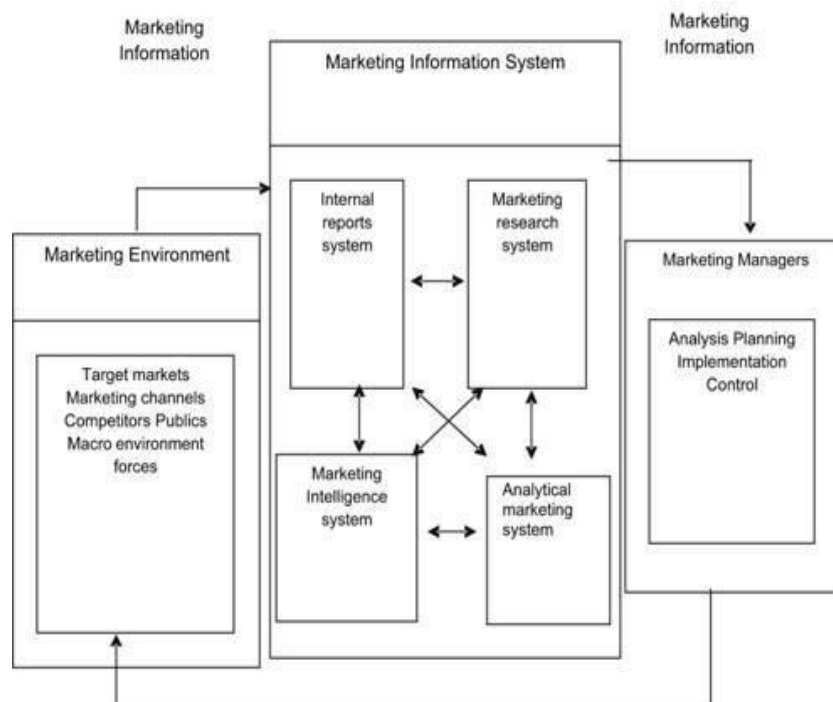
Fig. 5.5: The marketing information systems and its subsystem

The explanation of this model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and analytical marketing system.

Internal reporting systems

An organization which is working has tremendous amount of information. However, this information often remains under-utilized. Information is usually categorised according to its nature, for example, financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur, or various personnel working in the functional departments holding these pieces of data, do not see how it could help decision makers in other functional areas. Similarly, decision makers can fail to appreciate how information from other functional areas might help them and therefore do not request it. The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information.

Marketing research system

Marketing research is a proactive search for information. In many cases, data is collected in a purposeful way to address a well-defined problem (or a problem which can be defined and solved within the course of the study). The other form of marketing research centres not on a specific marketing problem but is an attempt to continuously monitor the marketing environment.

13.9 FUNCTIONS OF MARKETING INFORMATION SYSTEM

The functions of a good MIS can be divided into the following:

Assessing Information Needs– It is important to balance information that managers need against that which they really need and is feasible to obtain. The company must obtain the value of having an item of information against the cost of obtaining it. Since the cost of obtaining, processing, storing and delivering information can add up quickly, managers must carefully identify their real information needs which they think shall add value in decision making.

Developing Information – As discussed earlier information can be obtained through internal databases, marketing intelligence and marketing research. Internal databases usually can be accessed more quickly and cheaply

than other information sources, but they also present some problems. It is important to know that every company contains more information than any manager can possibly know or analyze. Today most of the companies are creating data warehouses to store customer data in a single more accessible location. In case of hospitality industry guest information is vital to improve service, create effective advertising and sales promotion programmes, develop new products, improve existing products, develop marketing and sales programmes and in revenue management.

An effective MIS in hospitality industry will collect guest history information, guest information trends. Other sources like guest registration forms, guest comment cards, guest verbal feedback and point of sale information can provide useful insights to design marketing programmes. In addition to internal databases, marketing intelligence can be useful in developing information. The marketing intelligence system aims at developing macro marketing information, competitive information and new innovations and trends.

13.10 ADVANTAGES OF MARKETING INFORMATION SYSTEM

Marketing Information System offers many advantages:

Organized data collection.

A broad perspective.

The storage of important data.

An avoidance of crises.

Coordinated marketing plans.

Speed in obtaining sufficient information to make decisions.

Data amassed and kept over several time periods.

The ability to do a cost-benefit analysis.

The disadvantages of a Marketing information system are high initial time and labor costs and the complexity of setting up an information system. Marketers often complain that they lack enough marketing information or the

right kind, or have too much of the wrong kind. The solution is an effective marketing information system.

13.11 DISTINGUISH BETWEEN MIS AND MARKETING RESEARCH (MR)

Following image depicts the ten main points which are used to make a comparison or distinction between MIS and Marketing Research (MR).

Difference between MIS vs MR is based on the following ten points:

1.   Meaning of MIS and MR.

2.   Their basic or main purpose.

3.   Wide or narrow scope.

4.   General or specific nature.

5.   Number of reports provided.

6.   Future or past orientation.

7.   Frequency of data collection.

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8. Number of problems to solve.

9. Continuous or non-continuous operational method.

10. Based on use of computers or not.

Now let's distinguish MIS and Marketing Research (MR) on above points.

1. **Meaning** :

   1. MIS means to collect, analyze and supply relevant marketing information to the marketing managers. The marketing managers use this information for taking effective marketing decisions. It is a permanent and continuous process.

   2. Marketing Research (MR) is a systematic process of collecting and analyzing information to solve a specific marketing problem.

2. **Purpose** :

   1. The main purpose of MIS is to provide relevant information to marketing managers and enable them to make effective marketing decisions.

   2. However, the main purpose of Marketing Research (MR) is to solve a specific marketing problem.

3. **Scope** :

   1. The scope of MIS is wide. Marketing Research (MR) is one of its component. It is not only used to solve problems but also helps to prevent problems in the future.

   2. The scope of Marketing Research (MR) is narrow. It is one small part of MIS. It solves a specific present marketing problem.

4. **Nature** :

   1. MIS is more nonspecific or general in nature. It can solve many types of marketing problems.

   2. Marketing Research (MR) is more specific or particular in nature. At one time, it can only solve a single type of marketing problem.

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5. **Reports** :
   1. MIS gives four types of reports namely, plan-reports, periodic-reports, triggered-reports and demand reports.
   2. Marketing Research (MR) provides only one report called as 'MR Report.'

5. **Orientation** :
   1. Orientation of MIS is more future-oriented when compared to MR.
   2. However, the orientation of Marketing Research (MR) is more past and present one when compared to MIS. It concentrates more on earlier and latest information. It uses this information to solve a current marketing problem.

6. **Problems** :
   1. MIS deals with and attempts to solve many different marketing problems at one time. For this, it collects, stores, analyze and supply relevant market information to the marketing managers.
   2. Marketing Research (MR) only deals with a single marketing problem at one time. It doesn't solve multiple marketing problems simultaneously.

7. **Data** :
   1. In MIS, the data is collected more frequently, usually almost daily. This is a must for every company.
   2. In Marketing Research (MR), the data is not collected as frequently as MIS. It is collected on a required basis.

8. **Operation** :
   1. MIS is a permanent and continuous system. Here, the inflow of market information never stops. Data is constantly collected and stored for further analysis. It is properly analyzed, studied and well-organized before supplying to the marketing managers. MIS has a starting but no ending point.
   2. Marketing Research (MR) is not a continuous system. Here, data is collected only when a company faces a specific marketing problem. It has a starting and ending point.

9. **Computers** :

1. MIS is heavily based on the use of computers. Here, computing technologies are widely used to ease and facilitate data collection, its storage, analysis, retrieval and supply of relevant information to marketing managers of the company.

2. Unlike MIS, Marketing Research (MR) hardly makes use of computers. It uses computers only for analyzing some information and is not entirely based on computing technologies.

13.12 EVOLUTION AND GROWTH OF MARKETING RESEARCH

Successful marketers will always try to seek information and identify newer ways to create, communicate and deliver value to their target markets. Good information can be obtained through marketing research. A brief history on marketing research will throw light on how marketing research has evolved over time.

The beginning of marketing research as an organised business activity began between 1910 and 1920. It is said that in 1911 when Charles Collidge Parlin was appointed as the Manager of the Commercial Research Division of the Advertising Department of the Curtis Publishing Company, began the establishment of organised marketing research. Till then, informal marketing research had been the practice. Way back in 1380, Johann Fugger took off to Augsburg from native Swabian village of Graben so as to gather information on the international textile industry. In this international role, he exchanged detailed letters on trade conditions and finances in the areas where their branches were located. In 1720 period there was great demand for information, from various industrial houses, on how to base their marketing decisions. During this period, David Defoe's publications gave information on the inventories of the business and economic resources of England and Scotland. There was a good demand for this as it helped business community to take many business decisions. As an impact of the industrial revaluation, there was a sudden increase in demand for information to take various marketing decisions. However, as mentioned above,

marketing research as an organised business activity began between 1910 and 1920.

Seeing the success of Charles Parlin, made many industrial firms and advertising media establish research divisions and later on, venture into publishing research books.

- In 1915, Dr. Paul H. Nystrom, was appointed by the United States Rubber Company to manage their newly established Department of Commercial Research.

- In 1917, Dr. Louis D.H. Weld of the Yale University was hired by the Swift and Company to become a manager of their Commercial Research Department.

- In 1919, the first major book on commercial research, 'Commercial Research : An Outline of Working Principles' was published by Professor C.S. Duncan of the University of Chicago.

- In 1921, the first research book to gain wide readership 'Market Analysis', by Percival White was released. This book went on to publish several editions.

- There was a growing interest in the subject of marketing research on the college campuses and in 1937, Market Research and Analysis by Lyndon O. Brown became one of the popular textbooks during that period.

- After 1940, many research textbooks were published and there was a rapid increase in the number of business schools offering research courses.

After World War II, there seemed to be a dramatic rise in interest in the area of marketing research. By 1948, there were more than two hundred marketing research organisations functioning in the United States and over the next few decades the estimated spend on marketing research activities has only kept on increasing tremendously.

13.13 MARKET RESEARCH IN INDIA

Till the 1990s, Market Research was not given much importance and used to be carried out as a routine activity and not on a challenging basis. There

were a few market research organisations (or agencies) such as Operations Research Group (ORG) which used to carry out information based projects mainly for FMCG Products. For instance, the organisation will commission market research to know which brand of soaps were selling in the market and why customers were buying a particular brand of soap and so on. Business decisions were rarely dependent upon the market research findings. The market research agencies were only needed to fill in the 'information gaps' of the marketing team.

However in the post economic liberalisation scenario, real changes in market research usage started taking place with the large scale entry of many MNCs (Multinational Companies) to India.

MNCs started using market research for making better business and other strategy planning decisions. This led to many Indian organisations realising the importance of market research and using it. Increased usage of market research also resulted in a rise of client expectations. Willingness of organisations to pay more for commissioning market research has resulted in a big growth for the Indian market research Industry.

Today, with intense competition at the market place, apart from MNCs and large organisations, even mid-sized companies and family run establishments are commissioning market research studies. Every organisation has become aware of the value and utility of market research. The growth of the Indian market research industry during the last 20 years has been very substantial. There are market research agencies and consulting firms which provide help to the many Indian and international companies operating in India for market betterment and improvement. These include IMRB International, Delphi Research Services, ORG-MARG, MRUC, NFO, Nielsen India etc. The broad areas of marketing research which are carried out by the market research agencies include: Spanning B2B (Business to Business) and industrial research, social research, media research, brand research, corporate and employee research, channel and retail research, product and packaging research, pricing research and business specialised consumer research. With the global recession not affecting the Indian market much, it is being assumed the positive buying behaviour displayed by

our consumers will continue in the future. So, hopefully marketing research industry's services will continue to be hired by the companies operating here too.

13.14 LET US SUM UP

Marketing Research can be defined as the systematic and objective research for and analysis of information relevant to the identification and solution of any problem in the field of marketing. Along with liberalisation of the economy and with exposure to global competition, it is seen that the Indian consumer cannot be taken for granted. The educated mobile, tech savvy, drawing huge salary and well travelled customer of today has learned to appreciate the 'quality aspect' of the product (or service) brand and may not think twice before switching brands if she is unhappy with the existing one. This is where marketing management have found the marketing research tool to be useful. The scope of this field is also very wide and can be used to carry out research studies to: keep in touch with the final customer needs, design suitable marketing programmes, provide help to managers during the various phases of the administrative process, track various problems and take decisions and provide information on Business to Business marketing requirements.

The limitations of marketing research were discussed. These included: may not be an answer to all problems, difficulty associated when seeking complex problem solutions, is an in-exact science, so conclusions may not be accurate, time consuming and costly activity, depends upon the ability of the researchers and so on.

13.14 CHECK YOUR PROGRESS

1.   Define marketing research

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2. Explain how marketing research will be useful to an organisation offering marketing services to customers. You may use any example to justify your answer.

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3. Briefly discuss the limitations of Marketing research.

_____

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_____

13.15 LET US SUM UP

- (MIS) is a management information system designed to support marketing decision making.

- E.g. sales, orders, customer profiles, stocks, customer service reports etc.

- Marketing intelligence – This can be information gathered from many sources, including suppliers, customers, and distributors.

- Market research – Management cannot always wait for information to arrive in bits and pieces from internal sources.

13.16 SUGGESTED READING

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RESEARCH DESIGN AND MARKETING RESEARCH PROCESS

STRUCTURE

14.1   INTRODUCTION

The meaning of research is to investigate thoroughly. It can be divided into basic and applied research. Basic research is the pure research which is more educative. Applied research is carried out to seek alternate solution for a problem. Applied research can further be classified as problem-solving research and problem-oriented research depending upon the research problem at hand. Marketing research is a systematic and objective study of problems pertaining

to the marketing of goods and services. It is applicable to any area of marketing. For ex. Product management, sales, advertising research, etc. Marketing Research can be Primary Market Research or Secondary Market research depending on the data source used. It can be qualitative or quantitative research depending upon the nature of the research. Marketing Research is different from Market Research wherein the former is oriented towards solving marketing problems and the latter is market related.

14.2 OBJECTIVE

To understand the meaning of Research Design.

- To study about the various types of Research designs.
- To understand marketing research process
- To understand the type of research design to use for specific problems.

14.3 THE RESEARCH DESIGN

Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of theresearch project — the samples or groups, measures, treatments or programs, and methods of assignment — work together to try to address the central research questions.

According to Green and Tull: A Research Design is the specification of methods and procedures for acquiring the information needed. It is the over-all operational pattern or framework of the project that stipulates what information is to be collected from which sources by what procedures.

Hence it is clear that Research design is the blueprint for research. It lays down the methodology involved in the collection of information and arriving at meaningful conclusions from the same.

There are many methods for studying and tackling a problem, but there are no perfect methods. Many times more than one method could be used in the research process.

There are many classifications accepted for a Research Design. One of the most accepted classification is grouping it under three types:

- **Exploratory**
- **Descriptive and**
- **Causal**

Exploratory Research Design

As the term suggests, exploratory research is often conducted because a problem has not been clearly defined as yet, or its real scope is as yet unclear. It is a process of discovery wherein you uncover as many ideas as possible. It allows the researcher to familiarize him/herself with the problem or concept to be studied, and perhaps generate hypothesis to be tested. It expands knowledge. It is the initial research, before more conclusive research is undertaken.

Exploratory research helps determine the best research design, data collection method and selection of subjects.

Another common reason for conducting exploratory research is to test concepts before they are launched in the marketplace, always a very costly endeavor. In concept testing, consumers are provided either with a written concept or a prototype for a new, revised or repositioned product, service or strategy.

Exploratory research relies more on secondary data. It does not have a rigid design as the researcher themselves are not very well versed with the subject and are trying to gain knowledge of the same. Hence it can be quite informal, relying on secondary research such as reviewing available literature and/or data, or qualitative approaches such as informal discussions with consumers, employees, management or competitors, and more formal approaches through in-depth interviews, focus groups, projective methods, case studies or pilot studies.

The results of exploratory research are not usually useful for decision-making by themselves, but they can provide significant insight into a given situation. The findings of this can be used to develop the research further. Points can be arrived at which requires to apply the other methodologies.

Conclusive Research Design

Descriptive research is also used to generate hypotheses but generally has more information available than in exploratory research. Descriptive research is usually conducted to characterize one or more variables within a population, particularly in relation to person, place, and time.

As the name indicates, conclusive research is meant to provide information that is useful in reaching conclusions or decision-making. It is mostly quantitative in nature, in the form of numbers that can be quantified and summarized. It relies on both secondary data, particularly existing databases that are reanalyzed to shed light on a different problem than the original one for which they were constituted, and primary research, or data specifically gathered for the current study**.**

The purpose of conclusive research is to provide a reliable or representative picture of the population through the use of a valid research instrument. In the case of formal research, it will also test hypothesis. Conclusive research can be sub-divided into two categories:

Descriptive or statistical research, and Causal research

Descriptive Research

Descriptive research or statistical research provides data about the population or universe being studied. It describes the "who, what, when, where and how" of a situation and not what caused it. Therefore, descriptive research is used when the objective is to provide a systematic description that is as factual and accurate as possible. It provides the number of times something occurs, or frequency, lends itself to statistical calculations such as determining the average number of occurrences or central tendencies.

One of its major limitations is that it cannot help determine what causes a specific behaviour, motivation or occurrence. In other words, it cannot establish a causal research relationship between variables.

The two most common types of descriptive research designs are

Observation: Observation is a primary method of collecting data by human, mechanical, electrical or electronic means. The researcher may or may

not have direct contact or communication with the people whose behaviour is being recorded. Observation techniques can be part of qualitative research as well as quantitative research techniques. The commonly used observation methods are:

- **<u>Participant and non participant observation</u>:** This depends on whether the researcher chooses to be part of the situation s/he is studying.(e.g. studying team dynamics by being a team member would be participant observation)

- **<u>Obtrusive and unobtrusive observation</u>:** Depends on whether the subjects being studied can detect the observation(e.g. hidden microphones or cameras observing behaviour)

- **<u>Observation in natural or contrived settings</u>:** Observing the behaviour in its natural setting and in a condition where the natural settings are created.

- **<u>Disguised and non-disguised observation</u>:** Depends on whether the subjects being observed are aware that they are being studied or not. In disguised observation, the researcher may not disclose his true identity and pretend to be someone else to keep away the bias in the findings.

- **<u>Structured and unstructured observation</u>:** This refers to guidelines or a checklist being used for the aspects of the behaviour that are to be recorded; for instance, noting who starts the introductory conversation between the group members and what specific words are used by way of introduction.

- **<u>Direct and indirect observation</u>:** This depends on whether the behaviour is being observed during the time it occurs or after the occurrence, as in the case of TV viewing, for instance, where choice of program and channel flicking can all be recorded for later analysis.

One distinct advantage of the observation technique is that it records actual behaviour, not what people say they said/did or believe they will say/do. On the other hand, the observation technique does not provide us with any insights into what the person may be thinking or what might motivate a given behaviour/

comment. This type of information can only be obtained by asking people directly or indirectly.

Surveys: The survey technique mainly involves the collection of primary data about subjects, usually by selecting a representative sample of the population or universe under study, through the use of a questionnaire. It is a very popular since many different types of information can be collected, including attitudinal, motivational, behavioral and perceptive aspects. It allows for standardization and uniformity in the questions asked and in the method of approaching subjects, making it easier to compare and contrast answers by respondent group. It also ensures higher reliability than some other techniques.

If properly designed and implemented, surveys can be an efficient and accurate means of determining information about a given population. Results can be provided relatively quickly, and depending on the sample size and methodology chosen, they are relatively inexpensive. However, surveys also have a number of disadvantages, which must be considered by the researcher in determining the appropriate data collection technique.

Since in any survey, the respondent knows that s/he is being studied, the information provided may not be valid insofar as the respondent may wish to impress (e.g. by attributing him/herself a higher income or education level) or please (e.g. researcher by providing the kind of response s/he believes the researcher is looking for) the researcher. This is known as response error or bias.

The willingness or ability to reply can also pose a problem. If the information sought is considered sensitive or intrusive the respondent may hesitate to reply, leading to a high rate of refusal. This can be overcome by framing such questions carefully.

There can be an interviewer error or bias as the interviewer can (inadvertently) influence the response elicited through comments made or by stressing certain words in the question itself. This is seen through facial expressions, body language or even the clothing that is worn.

Another consideration is response rate. Depending on the method chosen, the length of the questionnaire, the type and/or motivation of the respondent,

the type of questions and/or subject matter, the time of day or place, and whether respondents were informed to expect the survey or offered an incentive can all influence the response rate obtained. Proper questionnaire design and question wording can help increase response rate. Descriptive studies are also classified into:

Cross-sectional studies: It deals with a sample of elements from a given population. Number of characteristics from the sample elements are collected and analyzed. It is of two types: field studies and surveys.

Longitudinal studies. This is based on panel data and panel methods. A panel constitutes a group of respondents who are interviewed and reinterviewed from time to time. Hence the same variable is repeatedly measured. This helps in studying a particular behaviour over a period of time.

Causal Research

Causal research is undertaken to see if there is a cause and effect relationship between variables. In order to determine causality, it is important to hold the variable that is assumed to cause the change in the other variable(s) constant and then measure the changes in the other variable(s). This type of research is very complex and the researcher can never be completely certain that there are not other factors influencing the causal relationship, especially when dealing with people's attitudes and motivations. There are often much deeper psychological considerations that even the respondent may not be aware of here are two research methods for exploring the cause and effect relationship between variables:

Experimentation or natural experimentation: This highly controlled method allows the researcher to manipulate a specific independent variable in order to determine what effect this manipulation would have on other dependent variables. Experimentation also calls for a control group as well as an experimentation group, and subjects would be assigned randomly to either group. The researcher can further decide whether the experiment should take place in a laboratory or in the field, i.e. the "natural" setting as opposed to an "artificial" one. Laboratory research allows the researcher to control and/or eliminate as many intervening variables as possible.

Simulation: Another way of establishing causality between variables is through the use of simulation.

A sophisticated set of mathematical formula are used to simulate or imitate a real life situation. By changing one variable in the equation, it is possible to determine the effect on the other variables in the equation.

For the natural experiments there are three classes of designs:

Time-series and trend designs

Cross-sectional designs and

A combination of the above two.

<u>**Time series and trend designs**</u>: In a time series design, data is collected from the sample or population at successive intervals. The trend data relate to matched samples drawn from the same population at successive intervals. It can be of many types.

<u>**Cross-sectional designs**</u>: It studies the effect of different levels of treatments on several groups at the same time. It can be represented as below:

$$X_1 \qquad O_1$$
$$X_2 \qquad O_2$$
$$X_3 \qquad O_3$$
$$X_4 \qquad O_4$$

An example would be different kind of incentives given for the same product in various territories. This would help in understanding the effect of varying the incentive on the sales performance across territories.

<u>**Combinational Design**</u>: This design combines both the time-series and cross-sectional designs. This design is generally seen while measuring advertising effectiveness in a panel. An advertisement is run and the respondents are asked if they have seen it earlier. Those who have seen it earlier constitute the test group and those who have not constitute the control group. The purchase made before and after the advertisement by the test and the control group marks the advertising effectiveness. So many research designs have been listed. The one

that is ultimately selected should help in solving the problem. It should help in arriving at the desired conclusions.

14.4   ROLE OF MARKETING RESEARCH (MR)

The task of marketing research (MR) is to provide management with relevant, accurate, reliable, valid, and current information. Competitive marketing environment and the ever-increasing costs attributed to poor decision making require that marketing research provide sound information. Sound decisions are not based on gut feeling, intuition, or even pure judgment. Marketing managers make numerous strategic and tactical decisions in the process of identifying and satisfying customer needs. They make decisions about potential opportunities, target market selection, market segmentation, planning and implementing marketing programs, marketing performance, and control. These decisions are complicated by interactions between the controllable marketing variables of product, pricing, promotion, and distribution.

Further complications are added by uncontrollable environmental factors such as general economic conditions, technology, public policies and laws, political environment, competition, and social and cultural changes. Another factor in this mix is the complexity of consumers. Marketing research helps the marketing manager link the marketing variables with the environment and the consumers. It helps remove some of the uncertainty by providing relevant information about the marketing variables, environment, and consumers. In the absence of relevant information, consumers' response to marketing programs cannot be predicted reliably or accurately. Ongoing marketing research programs provide information on controllable and non-controllable factors and consumers; this information enhances the effectiveness of decisions made by marketing managers.

14.5   COMPONENTS OF MARKETING RESEARCH.

1.   **Market Research.** It covers the aspects regarding size and nature of the market including export markets dividing the consumers in terms, of their age, sex, income (market segmentation), economic aspects of marketing etc.

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2. **Sales Research.** This relates to the problem regional variations in sales fixing sales territories, measurement of the effectiveness of salesman, evaluation of sales methods and incentives, etc.

3. **Product Research.** This relates to the analysis of strengths and or weakness of existing product testing problems relating to diversification, simplification, trading up and trading down (all product line decisions), etc.

4. **Packaging Research.** In essence, it is a part of product research. But the recent development in packaging and its contribution in the advertising made it to occupy an independent position. This necessitates a separate study concerning the aspects of package to know its impact and response in the market.

5. **Advertising Research.** It undertakes a study relating to the preparation of advertisement copy (copy research), media to be used (media research) and measurement of advertising effectiveness.

6. **Business Economic Research.** Problems relating to input output analysis, forecasting, price and profit analysis, and preparation of break -even charts are the main fields of the research.

7. **Export Marketing Research.** This research is intended to study the export potentials of the product. In such cases any or all kinds of research mentioned above become necessary.

14.6 THE MARKETING RESEARCH PROCESS

As we saw earlier Marketing Research is very much essential to make strategic decisions which are important for the growth of the organisation. It helps in making the right decisions systematically using statistical methods. Marketing Research reduces the uncertainty in the decision-making process and increase the probability and magnitude of success if conducted in a systematic, analytical, and objective manner. Marketing research by itself does not arrive at marketing decisions, nor does it guarantee that the organization will be successful in marketing its products. It is only a tool which helps in the decision making process.

The Marketing Research Process involves a number of inter-related activities which have bearing on each other. Once the need for Marketing Research has been established, broadly it involves the steps as depicted in Figure 1 below:

Let us now know in detail about the various steps involved in the Marketing Research Process.

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┌─────────────────────────────────────────┐
│       Define the research problem        │
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                    │
┌─────────────────────────────────────────┐
│       Define the research problem        │
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                    │
┌─────────────────────────────────────────┐
│       Determine research design          │
└─────────────────────────────────────────┘
                    │
┌─────────────────────────────────────────┐
│      Identify data types and sources     │
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                    │
┌─────────────────────────────────────────┐
│       Design data collection forms       │
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                    │
┌─────────────────────────────────────────┐
│    Determine sampling design and size    │
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                    │
┌─────────────────────────────────────────┐
│            Collect the data              │
└─────────────────────────────────────────┘
                    │
┌─────────────────────────────────────────┐
│      Analyze and interpret the data      │
└─────────────────────────────────────────┘
                    │
┌─────────────────────────────────────────┐
│      Prepare the research report         │
└─────────────────────────────────────────┘
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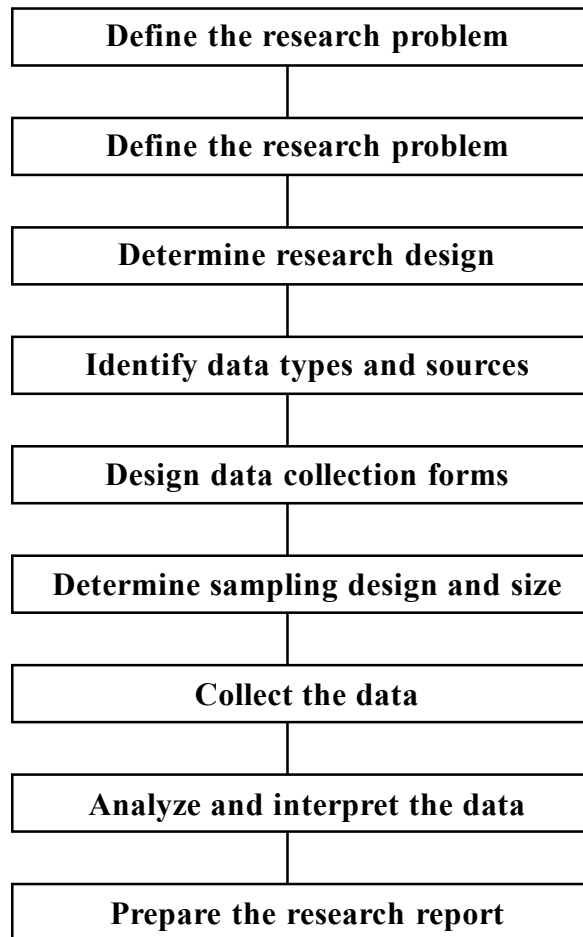
Figure1: The steps in Marketing Research Process

1.   Define the research problem

The first step in Marketing is to define the research problem. A problem well defined is half-solved. If a problem is poorly defined, a good research design cannot be developed. The decision problem faced by the organisation must be

translated into a market research problem in the form of questions. These questions must define the information that is required to make the decision and how this information can be obtained. This way, the decision problem gets translated into a research problem. For example, a decision problem may be whether to launch a new product. The corresponding research problem might be to assess whether the market would accept the new product. In order to define the problem more precisely, an exploratory research can be carried out. Survey of secondary data, pilot studies or experience surveys are some of the popular methods.

2. Determine research design

The research design specifies the method and procedure for conducting a particular study. As studied already, marketing research and hence the research designs can be classified into one of three categories

- Exploratory research
- Descriptive research
- Causal research

This classification is based on the objective of the research. In some cases the research will fall into one of these categories, but in other cases different phases of the same research project will fall into different categories. Problems are formulated clearly in exploratory research. It aims at clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas, and forming hypotheses. Exploratory research can be performed using a literature search, surveying certain people about their experiences, focus groups, and case studies. During the survey, exploratory research studies would not try to acquire a representative sample, but rather, seek to interview those who are knowledgeable and who might be able to provide insight concerning the relationship among variables. Case studies can include contrasting situations or benchmarking against an organization known for its excellence. Exploratory research may develop hypotheses, but it does not seek to test them. Exploratory, research is characterized by its flexibility. A descriptive study is undertaken when the researcher wants to know the

characteristics of certain groups such as age, sex, educational level, income, occupation, etc. Descriptive research is more rigid than exploratory research and seeks to describe users of a product, determine the proportion of the population that uses a product, or predict future demand for a product. Descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection. In other words, the who, what, where, when, why, and how aspects of the research should be defined. Such preparation allows one the opportunity to make any required changes before the costly process of data collection has begun. There are two basic types of descriptive research: longitudinal studies and crosssectional studies. Longitudinal studies are time series analyses that make repeated measurements of the same individuals, thus allowing one to monitor behavior such as brand-switching. However, longitudinal studies are not necessarily representative since many people may refuse to participate because of the commitment required. Cross-sectional studies sample the population to make measurements at a specific point in time. A special type of cross-sectional analysis is a cohort analysis, which tracks an aggregate of individuals who experience the same event within the same time interval over time. Cohort analyses are useful for long-term forecasting of product demand. Causal research seeks to find cause and effect relationships between variables. It accomplishes this goal through laboratory and field experiments.

3. **Identify data types and sources**

The next step is to determine the sources of data to be used. The researcher has to decide whether to go for primary data or secondary data. Sometimes a combination of both is used. Before going through the time and expense of collecting primary data, one should check for secondary data that previously may have been collected for other purposes but that can be used in the immediate study. Secondary data may be internal to the firm, such as sales invoices and warranty cards, or may be external to the firm such as published data or commercially available data. The government census is a valuable source of secondary data. Secondary data has the advantage of saving time and reducing data gathering costs. The disadvantages are that the data may not fit the problem

perfectly and that the accuracy may be more difficult to verify for secondary data than for primary data.

Many a time the secondary data might have to be supplemented by primary data originated specifically for the study at hand. Some common types of primary data are:

- Demographic and socioeconomic characteristics
- Psychological and lifestyle characteristics
- Attitudes and opinions
- Awareness and knowledge - for example, brand awareness
- Intentions - for example, purchase intentions. While useful, intention are not a reliable indication of actual future behavior.
- Motivation - a person's motives are more stable than his/her behavior, so motive is a better predictor of future behavior than is past behavior.
- Behavior

Primary data can be obtained by communication or by observation. Communication involves questioning respondents either verbally or in writing. This method is versatile, since one needs to only ask for the information; however, the response may not be accurate. Communication usually is quicker and cheaper than observation. Observation involves the recording of actions and is performed by either a person or some mechanical or electronic device. Observation is less versatile than communication since some attributes of a person may not be readily observable, such as attitudes, awareness, knowledge, intentions, and motivation. Observation also might take longer since observers may have to wait for appropriate events to occur, though observation using scanner data might be quicker and more cost effective. Observation typically is more accurate than communication. Personal interviews have an interviewer bias that mail-in questionnaires do not have. For example, in a personal interview the respondent's perception of the interviewer may affect the responses.

4. Design data collection forms

Once it has been decided to obtain primary data, the mode of collection needs to be decided. Two methods are available for data collection:

1.   Observational methods

2.   Survey methods

Observational methods: As the name itself suggests, the data are collected through observation. An observer observes and records the data faithfully and accurately. This may be suitable in case of some studies but is not useful to observe attitudes, opinions, motivations and other intangible states of mind. Also in this method, the data collected is non-reactive, as it does not involve the respondent.

Surveys: It is one of the most common methods of collecting data for primary, marketing research. Surveys can be:

- **Personal:** The information is sought through personal interviews. A questionnaire is prepared and administered to the respondent during the interview. This is a detailed method of collecting information.

- **Telephonic:** This is suitable if limited information is sought in a fixed time frame.

- **Mail:** Here, the questionnaire is sent out in mail and the response is sought. Timely response cannot be sought in this method as there is no control over the survey. All the people to whom the mail was sent may not respond. Sometimes a combination of two or more methods may be used. Whatever be the method, a structured questionnaire is required to be used. The questionnaire is an important tool for gathering primary data. Poorly constructed questions can result in large errors and invalidate the research data, so significant effort should be put into the questionnaire design. The questionnaire should be tested thoroughly prior to conducting the survey.

5.   Determine sampling design and size

A sampling plan is a very important part of the research process. The marketing researcher has to decide whether it will be a sample survey or a census. Definitely a sample survey has its distinct merits. The population from which the sample has to be drawn has to be well defined. A broad choice is to be made between probability sampling and non-probability sampling. The sample design

is then chosen depending on the suitability and the availability of the sample frame. The size of the sample chosen is based on statistical methods. This is well defined and also reproduces the characteristics of the population. In practice, however, this objective is never completely attained on account of the occurrence of two types of errors – errors due to bias in the selection and sapling errors.

6.   Collect the data

The next step is to collect the data for which the research process has been spelled out. The interviewing and the supervision of field work should be looked into. One of the most difficult tasks is interviewing for marketing research. Many a time the respondents may not part with crucial information unless approached with tact and intelligence. Supervision of field work is important to ensure timely and proper completion of the field survey. If this is not carried out properly, then there results an interview error which may be detrimental to marketing research.

7.   Analyze and interpret the data

The next step is to analyze the data that has been collected from the field survey. The raw data is transformed into the right format. First, it is edited so that errors can be corrected or omitted. The data is then coded; this procedure converts the edited raw data into numbers or symbols. A codebook is created to document how the data is coded. Finally, the data is tabulated to count the number of samples falling into various categories. Simple tabulations count the occurrences of each variable independently of the other variables. Cross tabulations, also known as contingency tables or cross tabs, treats two or more variables simultaneously. Cross tabulation is the most commonly utilized data analysis method in marketing research. Many studies take the analysis no further than cross tabulation.

Once the tabulation is done, the following analysis can be carried out.

- **Conjoint Analysis:** The conjoint analysis is a powerful technique for determining consumer preferences for product attributes.
- **Hypothesis Testing:** The null hypothesis in an experiment is the hypothesis that the independent variable has no effect on the dependent

variable. The null hypothesis is expressed as H0. This hypothesis is assumed to be true unless proven otherwise. The alternative to the null hypothesis is the hypothesis that the independent variable does have an effect on the dependent variable. This hypothesis is known as the alternative, research, or experimental hypothesis and is expressed as H1. Once analysis is completed, make the marketing research conclusion. In order to analyze whether research results are statistically significant or simply by chance, a test of statistical significance can be run.

8.   Prepare the research report

All the research findings have to be compiled in a report to be then presented to the organization. The format of the marketing research report varies with the needs of the organization. The report often contains the following sections:

- Authorization letter for the research
- Table of Contents
- List of illustrations
- Executive summary
- Research objectives
- Methodology
- Results
- Limitations
- Conclusions and recommendations
- Appendices containing copies of the questionnaires, etc.

The report has to be written with objectivity, coherence, clarity in the presentation of the ideas and use of charts and diagrams. Sometimes, the study might also throw up one or more areas where further investigation is required.

14.7   LET US SUM UP

A Research Design is the specification of methods and procedures for acquiring the information needed. It is the blueprint for a research process. There

are many classifications accepted for a Research Design. One of the most accepted classification is grouping it under three types: Exploratory, Descriptive and Causal. An exploratory research is often conducted because a problem has not been clearly defined as yet, or its real scope is as yet unclear. Conclusive research on the other hand is meant to provide information that is useful in reaching conclusions or decision-making. It is mostly quantitative in nature. A Causal research is undertaken to see if there is a cause and effect relationship between variables.

Causal research again can be: Time-series and trend designs, Cross-sectional designs and a combination of the above two.

14.8 CHECK YOUR PROGRESS

1)   What is a Research Design? Explain.

        _____

        _____

        _____

2)   Classify the Research Designs and define each of them.

        _____

        _____

        _____

3)   Explain What is descriptive Research? Classify and explain the same.

        _____

        _____

        _____

4)   List out the various steps involved in marketing research process?

        _____

        _____

        _____

14.9 GLOSSARY

- **Advertising research:** A study relating to the preparation of advertisement copy (copy research), media to be used (media research) and measurement of advertising effectiveness.

- **Exploratory Research:** It is a process of discovery wherein you uncover as many ideas as possible

- **Descriptive research:** Descriptive research provides data about the population or universe being studied

- **Causal research:** Causal research is undertaken to see if there is a cause and effect relationship between variables

14.10 FURTHER READINGS

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UNIT V	LESSON:15

ETHICS IN MARKETING RESEARCH

STRUCTURE

15.1   INTRODUCTION

Today, it is far too easy to begin practicing marketing research. But unethical research practice relying on poor information to make major decision has resulted in loss of market share, reduction in profits, and, in some cases, bankruptcy.

Ethics are moral principles or values generally governing the conduct of an individual or group. Ethics behavior is not, however, a one-way relationship

clients, suppliers, as well as field services, must also act in an ethical manner. Ethical questions range from practical, narrowly defined issues, such as a researcher's obligation to be honest with its customers, to broader social and philosophical questions, such as a company's responsibility to preserve the environment and protect employee rights.

Unethical practices by some suppliers include abusing respondents, selling unnecessary research, and violating client include requesting bids when a supplier has been predetermined, requesting bids gain to free advice methodology, marketing false promises, and issuing unauthorized requests for proposals. Marketing research field services have used professional respondents, which I unethical.

Respondents have certain rights, including the rights to choose whether to participate in a marketing research project, the right to safety from physical and psychological harm, and the right to be informed of all aspects of the research task. They should know what is involved, how long it will take, and what will be done with the data. Respondents also have the right to privacy.

15.2 LEARNING OBJECTIVES

After going through the chapter you should be able to:

- define Marketing Ethics.
- ethics in marketing research.
- recent trends in marketing research.

15.3 ETHICS IN MARKETING RESEARCH

For most people, the terms 'ethics' refer to rules that distinguish between what is right and what is wrong. However, the dictionary meaning of 'Ethics' conveys that there are certain norms or principles of conduct concerning right and wrong and how people should behave. Ethics are not laws but certain norms of conduct which people should adhere to and repercussions could arise if one selects unacceptable behaviour over the acceptable one. When research is to be carried out, the researcher's have responsibilities towards their profession, clients and the respondents. So it is necessary that certain high ethical standards (or

principles or values) are framed to ensure that both the function and information are not brought into a state of bad reputation.

The Marketing Research Associations (MRA) had established a code of Marketing Research Standards so that MRA members carry out the research in a honest way using scientific, statistical and proven methods and in an ethical manner too. This will also instill confidence in the public that the research is done in a professional and fair manner. Simply put, the code of marketing research standards 2007, puts responsibility on the researcher to carry out the research as per the prescribed code of conduct, respect the general public and it rights.

There are three groups involved in the process when conducting marketing research : The sponsor, the researcher and the participant. There are certain rights related to privacy, motivation, quality and safety which are provided to each group during and after the research.

15.4 THE SPONSOR'S OR RESEARCH CLIENT'S ETHICS

The more common ethical issues concerning the sponsor are related to:

Requesting for bid to obtain free advice and methodology

a) At times, the client may have preference for one research supplier over another probably due to having developed a good working relationship, quality of research staff, ability to meet deadlines etc. But it is unethical on the part of the sponsor to predetermine which supplier will receive a contract and at the same time also invite proposals from other suppliers to satisfy corporate requirements, which require more than one bid. It is unethical to make organisation's which have no opportunity to win a contract, waste their time, money and efforts to make a bid.

b) At times, sponsor clients who are looking out for bargain prices to carry out the research will solicit detailed proposals including the sample questionnaire and the complete methodology from a number of suppliers. Thereafter, the sponsor may make use of the best of these information, frame a questionnaire and directly enter into a contract with field service providers to collect the necessary data. Or the sponsor (or client) may

approach the cheapest supplier with their own proposal, which has been arrived at by making use of the best of the ideas from the other proposals. In this way the client will try to get the supplier to conduct a more elaborate study at lower prices.

Making false promises : In order to lower their research costs for the current project, the sponsor or client will try to extract a lower price (or bid) from an unsuspecting researcher with a false promise of future researches, which in reality is not likely to occur or may not take place.

Requesting proposals without receiving authorization to do : There can be instances where the client representative has sought proposals without being authorized with proper funds to do so or implement them. The following instances will illustrate this (a) A client will invite proposals from suppliers and then approach the management to see if he can get necessary funds to carry them out. (b) There is a clash of ideas between the client representative and the management on the necessity of marketing research in a given area, the research supplier not being aware of this put's forward the proposal (which meets the client representative's requirement) but the management rejects it out of hand (c) Sometimes researchers face situations where their efforts are misused by certain people (employees) to serve the latter's organisational goals (say, to postpone a delicate decision or avoid some responsibility or to give respectability to a decision already made).

Misuse of information : The client firm should not misuse information gathered for purposes other than it is to serve. A very common form of misuse is related to do comparative advertisements of product performance claims based on tests carried out with data that does not hold statistically much significance. Researchers, sometimes find themselves in situations involving requests from sales or other personnel within the organisation, for access to the personal information of respondents or the results of the study. Such requests may be for unethical reasons say to generate sales leads or for making sales calls. These actions are clearly indicative of abusing the respondents rights, who may 'in turn' refuse to cooperate during future studies too.

15.5 RESEARCH SUPPLIERS' ETHICS

The more common unethical issues related to the research suppliers are:

Low ball pricing: Low ball pricing means quoting an unethically low price to secure a firm's business offer and then after accepting, using reasons and means to raise the price substantially. For instance, say after committing to carry out the research at a quoted price, later on, informing the sponsor or firm that the respondents', fees for participation is going to be charged on an 'extra amount' basis. The researcher should stick to the contract price unless mentioned in the contract itself.

Allowing subjectivity and making an improper execution of the research: The research suppliers are supposed to carry out the marketing research projects in an objective manner ensuring that utmost care is taken so as to avoid personal biases or go for biased sampling, misusing statistics or ignoring relevant data, so as to create a research design to support the predetermined objectives and in reality not conveying the right picture.

Violating Client Confidentiality: Disclosing personal or business information about the client gathered from the research carried to a third party, is said to be unethical and in violation of the client's confidentiality.

Abusing Respondents: Abusing of respondents is quite often the most frequent and a controversial problem that arises as a part of the ethical concerns. Any respondent who participates in a research project has the right to privacy, right to safety, right to know the true purpose of the research, right to the research results and the right to decide on which questions to answer. Any form of violation of the above mentioned right of the respondent can be considered to be unethical and his (or her) abuse.

Field Service Provider's Ethics

Using professional respondents

Usually, field service providers are supposed to maintain a database and profile of persons willing to participate in qualitative discussion projects. Since it is easier to use these group respondents, the field service providers may utilise

the existing database. If need be only they must use professional respondents, otherwise it will be unethical.

15.6   DATA COLLECTION CODE OF ETHICS

The Marketing Research Association (MRA) is an association to which may field services belong. The organization is dedicated to promoting excellence in data collection. To this end, it recently enacted the following code of ethics:

Companies Engaged in Data Collection…

1. Will treat the respondent with respect and not influencing a respondent's opinion or attitude on any issue through direct or indirect attempts, including the framing of questions.

2. Will conduct them in a professional manner and ensure privacy and confidentiality.

3. Will ensure that all formulas used during bidding and reporting during the data collection process conforms to the MRA guidelines.

4. Will make factually correct statement to secure cooperation and will honor promises made during the interview to respondents, whether verbal or written.

5. Will give respondents the opportunity to refuse to participate in the research when there is a possibility they may be identifiable even without the use of their mane or address (e.g., because of the size of the population being sampled).

6. Will not use information to identify respondents without the permission of the respondent except to those who check the data or are involved in processing the data. If such permission is give, the interviewer must record it, or a respondent must do so, during all internet studies, at the time the permission is secured.

7. Will adhere to and follow these principles when conducting online research: respondent's rights to anonymity must be safeguarded. Unsolicited e-mail must not be sent to those requesting not to receive any further e-mail. Researchers interviewing minors must adhere to the

Children's Online Privacy Protection Act(COPPA). Before collecting, using, or disclosing personal information from a child, the researcher must obtain verifiable parental consent from the child's parent.

8. Will respect the respondent's right to withdraw or refuse to cooperate at any stage of the study and will to use any procedure or technique to coerce or imply that cooperation is obligatory.

9. For internet research, will not use any data in any way contrary to the provider's published privacy statement without permission from the respondent.

10. Will obtain and document respondent consent when it is known that the personally identifiable information of the respondent may be passed by audio, video, or interactive voice response to a third party for legal or other purposes.

11. Will obtain permission and document consent of a parent, legal guardian or responsible guardian before interviewing children 13 years of age or younger. Prior to obtaining permission, the interviewer should divulge the subject matter, length of interview, and other tasks that may be required of the respondent.

12. Will ensure that all interviewers comply with any laws or regulations that may be applicable when contacting or communicating to any minor(18 years old or younger) regardless of the technology or methodology utilized.

13. Will not reveal any information that could be used to identify clients without their written authorization.

14. Will ensure that companies, their employees, and subcontractors involved in the data-collection process adhere to reasonable precautions so that multiple surveys are not conducted at the same time with a specific respondent without explicit permission from the sponsoring company or companies.

15. Will consider all research materials provided by the client or generated as a result of materials provided by the client to be the property of the

client. These materials will not be disseminated or disposed of without the verbal or written permission of the client.

16. Will, as time and availability permit, give their client the opportunity to monitor studies in progress to ensure research quality.

17. Will not represent an any research activity to be opinion and marketing research, such as: the compilation of lists, registers, or data banks of names and addresses for any non research purposes (e.g., canvassing or fund raising). Industrial, commercial, or any other from of espionage. The acquisition of information for use by credit rating services or similar organizations.

15.7 RESPONDENTS RIGHTS

a) **Right to choose** every one has the right to determine whether or not to participate in a marketing research project. Some people, such as poorly educated individuals or children may not fully appreciate this privilege. A person who would like to determinate an interview or experiment may give short, incomplete answers or even false data. The fact that a person has consented to be part of an experiment or to answer a questionnaire does not give the researcher carte blanche to do whatever she or he wants. The researcher still has an obligation to the respondent.

b) **Right to Safety** Research have the right to safety from physical or psychological harm. While it is unusual for a respondent to be exposed to physical harm, there have cases of persons becoming ill during food taste tests. The more common for a respondent to be placed in a psychologically damaging situation. Individuals might experience stress when an interviewer presses them to participate in a study. Others might experience stress when they can not answer questions or are given a time limit to complete a task(for example, "You have five minutes to browse through this magazine, and then I will ask you a series of questions").

c) **Right to be Informed** Research participants has the right to be informed of all aspects of a research task. Knowing what is involved, how long it will take, and what will be done with the data, a person can make an

intelligent choice to whether to participate in the project. Often, it is necessary to disguise the name of the research sponsor to avoid biasing the respondent.

d) **Right to Privacy** all consumers have right to Privacy. All major research organizations, including the MRA (discussed above), the Internet Marketing Research Association (IMRO), American Marketing Association(AMA) and Advertising Research Foundation(ARF), have privacy codes. Consumer privacy can be defined in terms of two dimensions of control. The first dimension includes control of unwanted telephone, mail, e mail, or personal intrusion in the consumer's environment, and the second concerns control of information about the consumer. Consumer privacy can be viewed in the context of any interaction, profit or nonprofit, between marketer and consumer, including (but not limited to) credit and cash sales, consumer inquires, and marketer-initiated surveys. The very nature of the marketing

Research business requires interviewers to invade an individual's privacy. An interviewer calls or approaches stranger, requests a portion of their limited time, and asks them to answer personal questions-Sometimes very personal questions. Perhaps the greatest privacy issue for consumers today is the role of marketing databases. A number of laws have been passes in recent years dealing with various aspects of privacy as it relates to the marketing industry.

15.8   RECENT TRENDS IN MARKETING RESEARCH

1. **Redefining concepts and tools :** Changes on the market and within consumers made us rethink the very basics of the research profession. Using tools that are relevant today is a common concern for everyone involved in marketing and market research. Fortunately, keeping in touch with the latest trends is easy: major research companies provide articles and white papers on methodological developments as well as topics of interest for their activity.

2. **Going digital: meeting consumers in the digital world :**The digital world is starting to become at least as "real" as the real one – or at least

to take up enough of consumers' time to attract companies' attention. Kantar's results on devices and data usage around the world show that smartphones are not far behind PCs and laptops in all regions (Versfeld, 2013). In these conditions, mobile marketing is one of the new channels that companies are starting to take advantage of. A collection of case studies can be found on the Mobile Marketing Association website (Mobile Marketing Association, 2013). The mobile trend is visible even in Romania, which hosted a Mobile Advertising Congress (Mobile Advertising Congress, 2013).Research also started to use the mobile as a data collection tool. ESOMAR developed a draft guideline for this domain (ESOMAR, 2012a) and ESOMAR 3D Digital Dimensions conference in November 2012 covered a range of topics connected to online and mobile research (ESOMAR, 2012b) . Poynter (2013) considers smartphone research the future for Asia-Pacific; in fact, as he noted, developing markets are more likely to adopt new tools (created and first tested by developed markets). For this reason, mobile data collection may be one of the last great technical breakthroughs in the market research industry, holding potential for Romania as well.

3. **More than words: inside the consumer's eye and mind :** Not only have the marketing tools evolved, but research into consumer's preferences is well on the way of integrating more than just respondents' declarations. Martin (2013) warns that people may not say or even be aware what persuades them to change their behaviour, and advocates watching consumers instead of applying traditional market research on them.

While traditional market research still has an important role to play in discovering the consumer, two main trends come to complement its findings:

a) **"Passive research"**

"Passive research" methods in general, such as facial and voice recognition, are considered a method of complementing "active research" (Drew, 2013). The idea is not new to market research, for example eye-tracking is now

significantly less invasive and uncomfortable than it started out. How far can it actually go?

In terms of advertising, the Minority Report scenario where consumers were quickly identified by retina scan and were displayed personalized ads (Spielberg, 2002) is a likely future. In fact, it has already been tested in Japan and was able to estimate the viewer's age to within 10 years. Experts estimated that up to 10% of digital ads would incorporate this technology in the following years (Lah, 2010). Every company wants to know whether their new ad makes people smile or if, instead, it annoys so much that viewers change the channel – if possible, in real time, giving them the opportunity to quickly alter or withdraw ads triggering negative emotions. This offers a fresh source of business for researchers: GfK (2013a) currently uses facial recognition to determine users' emotional response to ads. Using this method on an online panel could considerably increase research speed while cutting costs, giving companies quick feedback on their promotional campaigns – and the ability to adapt to customers' reactions in time.

It is interesting that few of the future predictions mention smart TVs. At the bottom of the list of device ownership for now (Versfeld, 2013), they are the next version of items most likely to be found in households around the world. Now imagine that your smart TV knows your address based on GPS signals and captures a full set of usage statistics for both TV and web. Some smart TVs already integrate motion recognition, harmlessly (or cunningly) incorporated into gaming usage; these can be updated with facial recognition features. It's easy: combine Firefox storage of usage statistics (Mozilla Firefox, 2013) with GfK's EMO Scan – biometric measurements that identify emotional reactions to ads (GfK, 2013a). Intel is already considering facial recognition software for television in order to show personalised ads (Mayhew, 2012) and Microsoft filed patents for systems which identify users' moods based on their computer usage such as facial expressions, speech/IM patterns, browsing history etc. in order to display online ads matching users' moods (Findlay, 2012).

Having socio-demographic information and facial recognition/emotion trackers in the same device will, on the one hand, provide accurate socio-

demographic profiles for the stored data, and on another, bring tracking of emotional response to the next level: instant, continuous and covering a wider respondent range than usual research. (At the same time, it will perform TV audience tracking much better than classical household panel research, the accuracy of which relies on people's willingness to declare when and who is using the TV.)

How it works: looking at the brain itself

A true novelty is using neuroscience to determine how brains react to products. Weigel (2013) underlines the importance of building "mental shortcuts" in order to facilitate decision making. Pop and Iorga (2012) present the history and techniques of neuromarketing, a breakthrough that can complement information provided by classic research techniques. Neuroscience, along with the impact of social networks, were presented as cutting edge technologies at the 2010 GfK Research Summit (GfK, 2010) and are the topic for the Romanian workshop "Cutting edge marketing. Insights from brain and technology" (BuyerBrain, 2012) . Neuromarketing provides an accuracy that no other research method can achieve, but the complexity of the method and its expensive nature may prevent it from becoming immediately widespread in consumer research, particularly in developing countries. The quest to map the human brain is continuing though – because humankind is driven by the desire to understand - , and it remains to be seen how long it takes and how the results will be used (Markoff and Gorman, 2013).

4.   **Big data and better data analysis**

The modern world stores larger and larger amounts of (consumer) data. The "big data" trend is useful for the future, without completely eliminating traditional market research (Liebenson, 2012). Liebenson (2013) summarizes the key characteristics of big data (volume, variety, velocity and veracity) and relates conclusions of a GreenBook webinar on this topic: the potential is definitely there, but companies (even early adopters) are still lacking a complete strategy. She also notes that big data is a potential threat to traditional market research, as it may be able to analyse conversations faster, identify real attitudes as opposed to declarations and combine attitudinal data with actual purchase

behaviour. Murphy (2012) praises Nielsen's vision to associate with Facebook and Twitter in offering research capabilities and reminds readers that this trend had been predicted for some time and the pace would only increase. He advocates that the future of market research will not focus on data collection, but on several other characteristics, such as owning proprietary data sources and high end analytics and data modelling (Murphy, 2012). But in fact, combining information from research answers and social media is precisely an example of "big data".

However, exactly how big "big data" is and the risk of confusing "big data" with regular "data analysis" are covered by Mims (2013), who points out that, the quality rather than the size of the data is a much better indicator of gathering useful information.

An example of mixing good data analysis with large amounts of consumer information is Target, which built a pregnancy-prediction statistical model based on consumer purchase data on around 25 products. The model was so accurate that it predicted a teen's pregnancy and sent her promotional material for baby items beforeshe had announced her father. They focused on pregnancy because they had found that major changes in a person's life usually triggered changes in their purchase behaviour and switches in their loyalty, but similar models could be built based on any product category. In fact, ""We have the capacity to send every customer an ad booklet, specifically designed for them, that says, 'Here's everything you bought last week and a coupon for it,' " one Target executive told me. "We do that for grocery products all the time."" (Duhigg, 2012).

But now consumers are collecting data about themselves as well, a trend described by Strong as "the quantified self". Gaining access to this new data source while respecting people's privacy is a new challenge of the research profession and, as the UK government considered an initiative to provide customers with the personal information that brands have on them, (Strong, 2013) one can imagine companies starting to offer digital tracking possibilities to their clients. It is perhaps the ultimate outsourcing of research – placing it in the hands of the research subject himself -, but its attractiveness is undermined by the fact that it robs companies of most of the control over research conditions.

On a technical note, Muenchen (2013) notices a decreasing usage of SAS and SPSS in academia and forecasts that they will be "replaced" by Stata and R by 2017. As a powerful, open source language, R may become a very useful tool for future treatment of big data and high-end data analysis, unless SAS and SPSS adapt to current needs.

5.   Consumers have the power

We noted that the two main traits of the modern consumer are: conducting his own research on products and generating information about products. They are interconnected, as people naturally tend to trust other people's experiences rather than companies. Both create concern among marketers, since companies now lack control over the information that consumers are exposed to (Zernigah and Sohail, 2012

6.   Researchers of the future

Every industry is driven by companies and, ultimately, by people, as we have seen in the schematics of the market system. Until now we looked at changes of concepts and tools, but how do these impact the players themselves?

At company level, major research institutes already ride the change wave and drive the industry forward, as example so far have shown. Not only do they integrate new methods into consumer research, but they also spread them to subsidiaries across the globe (e.g. bringing EMO Scan to Romania), making "innovation" available for everyone.

On the other hand, what will happen to smaller research providers, those who sprung out of the need for faster, cheaper research solutions? Here the answer is less clear, but just as traditional research will not fade, smaller providers will most likely not be run out of the market by research giants. Of course, they may never become industry drivers for lack of resources on a large scale, but instead they can "steal" the new methods, as technology itself becomes more universally available. The likely scenario is that they will continue to exist and challenge the big players in the price war.

At individual level, changes are inevitably reflected in the research professional him/herself. In some companies, the "researcher", usually with

sociology or marketing background, is responsible only for client contact and results interpretation, while the "analyst", usually a statistician, produces the actual figures. In other companies, a single person performs both tasks and in truth, just like market research is marketing + research, the market researcher is more likely to perform better this way.

In terms of statistics, Hoerl and Snee (2010) discuss the future of the profession, encouraging statistical leadership (the "good cop" approach) and arguing that teaching statistical thinking instead of just theories and methods will eventually create the demand for statistics to solve "broad, deep problems" . Their paper builds on Meng's (2009) practical suggestions to improve the statistical profession, such as presenting subject-oriented statistics at undergraduate level and recommending to "continuously deepen our foundation as we expand our horizon". Begg and Vaughan (2011) stress the importance of interdisciplinary training for biostatistics students; this may be more important than consumer research, as the returns should be better health services and, hopefully, healthier citizens.

7.   Globally, ours: bringing novelty across the globe

Most examples presented so far come from the experience of the English-speaking environment. But, as case studies from India and Pakistan demonstrate, novelty is swiftly adopted across the globe – as it must be, since "survival of the fittest" in difficult economic situations is a universal challenge. As Poynter (2013) noted, all growing markets benefit from early adoption of new techniques, especially since multinationals provide their local branches with new tools in data collection or data mining, new marketing and statistical methods, new consumer approaches.

Romania is a perfect illustration of this point: here it is a country where the free market only began in 1989 and where Internet penetration barely stands around 50%. This underdeveloped market research industry caught up incredibly well with technological novelties, like conducting qualitative research in Virtual Bucharest (GfK, 2009) and shows concern for questions of global interest – what are the latest consumer trends and how can marketing strategies meet the needs of the modern consumer? (SMARK, 2013) Perhaps the greatest advantage

of the Romanian belated adoption of market research was its ability to skip steps, for instance in data collection where we benefited from telephone/CATI and online methods much sooner than countries where market research had to wait for technology to develop. What is important is that we are now sharing the same challenges and concerns as developed countries.

8.   The end justifies the means? Concerns about data privacy

Dell's Social Media Predictions for 2013 interestingly omit Facebook from the list of companies with growth potential. This may be for what Wang notes as its "lack of respect for privacy" (DELL Social Media, 2013). Indeed, there are growing concerns about data privacy in the world today, as it has never been easier to collect sensitive data without the person's consent.

Questions regarding data privacy are numerous – for example: why is Google sharing users' personal information with app developers? (Tumbokon, 2013) Bitdefender conducted a study on 130,000 popular Android games in Google Play and found that 13% of these collected personal information not needed for the application itself, such as phone numbers, e-mail addresses, GPS coordinates or photos stored on the mobile terminal (Bitdefender, 2013b). Business Insider notes that, on one hand, many smartphones have pre- installed apps that cannot be removed and, on another, users often install free apps which also collect personal information (Wei, 2013). Location services (geotagging) on smartphones may enable third parties to precisely locate a user based on photo metadata (Ptacek, 2010) and several social media websites were tested for the protection of photo metadata, with some popular platforms such as Facebook, Flickr and Twitter needing to improve metadata handling (Embedded Metadata Manifesto, 2013). Bitdefender warns about the increase of aggressive advertising and number of viruses designed for Android applications which put users' personal information at risk (Bitdefender, 2013a). This is interesting in view of Facebook Home's recent release, which collects users' information and is designed for the famously vulnerable Android platform (Richter and Egan, 2013). It is unclear which third parties can get hold of user information and it is particularly risky for people who use their personal phones in company networks, but it is certain

that social networking profiles and mobile marketing can be employed to easily get hold of users' demographics.

An even more delicate question is raised by The Guardian, which reports that Raytheon developed a data mining application to analyse and predict users' activities based on social media combined with GPS information. Originally created for national security purposes, it stands uncomfortably close to the fine line between justifiable research that might prevent loss of life and invasion of privacy or potentially illegal activities: "So if you ever did want to try to get hold of Nick, or maybe get hold of his laptop, you might want to visit the gym at 6am on a Monday" (Gallagher, 2013). A similar problem could be posed by Glass, Google's innovative portable computer, which can record anything the wearer sees, hears and does (Prigg, 2013a) and which was hacked even before hitting the public shelf, taking advantage of a known bug in the Android software (Prigg, 2013b). The extra attraction for marketers is that Glass can also record everything in the wearer's environment, such as household items or people who happen to be nearby while the wearer uses Glass.

It is normal for companies to be interested in revenues. But research professionals must never forget that they have a responsibility towards society and rules to abide by, which make ethical boundaries clear. Hurwitz and Gardenier (2012) summarize contemporary concerns in American Statistical Association's Ethical Guidelines for Statistical Practice. A particularly important aspect for applied statisticians is the warning against "black box" analyses – those conducted without knowing the origin and purpose of the data set. We are not responsible for marketers collecting personal information illegally or conducting manipulative advertisement – but we are responsible for refusing to perform these analyses if they break our code of conduct.

15.9 LET US SUM UP

Ethics are moral principals or values generally governing the conduct of an individual or group. The deontology theory says that a person will follow his or her obligations to another individual or society because upholding one's duty is what is considered ethically correct. In contrast, utilitarian ethical theory

maintains that a choice yielding the greatest benefit to the greatest number of people is the choice that is ethically correct.

Unethical practices by some suppliers include low-ball pricing, allowing subjectively into the research, abusing respondents, selling unnecessary research, and violating client confidentiality. Unethical practices performed by some research clients include requesting bids when a supplier has been predetermined, requesting bids to gain free advice or methodology, making false promises, and issuing unauthorized requests for proposal. Marketing research field services have used professional respondents, which is unethical.

Respondents have certain rights, including the right to choose whether to participate in a marketing research project, the right to safety from physical and psychological harm, and the right to be informed of all aspects of the research task. They should know what is involved, how long it will take, and what will be done with the data. Respondents also have the right to privacy.

15.10 CHECK YOUR PROGRESS

1.   Define marketing research ethics.

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2.   Explain in detail the ethics in marketing research.

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3.   Briefly discuss the recent trends in Marketing research.

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15.11 FURTHER READINGS

1.   NPS Study, IMRB International, 2008

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