

CONSUMER BEHAVIOUR



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We wish you happy reading.

DIRECTOR

SYLLABUS

- Unit-1** Introduction: the application of consumer behaviour, principle to strategic marketing, Consumer Research, Consumers Psychographics; Constructing a Psychographic inventory, application of psychographic analysis
- Unit-2** The nature of consumer's attitude; structural models of attitudes, measurement of attitudes, social class and consumer behaviour; the measurement of social class, life style profiles of the social classes
- Unit-3** The influence of culture on consumer behaviour, characteristics of culture, the measurement of culture personal influence and the opinion leadership process; measurement of opinion leadership
- Unit-4** Consumer Decision making; Four view of consumer - Economic man, Passive Man, Cognitive Man, Emotional Man, Consumer Decision Process, Comprehensive Models of Consumer Decision Making; Nicosia Models Howard - Sheth Model, Engel - Kollat - Blackwell Model.
- Unit-5** Diffusion of innovations; the diffusion process, the adoption process, a profile of the consumer innovator consumer behaviour, application for profit and Non profit service Organisation

CONTENTS

1.1	Introduction
1.2	Definition of consumer behavior
1.3	A managerial and Consumer Perspective on Consumer Behaviour
1.4	Consumer Rights and Social Responsibility
1.5	Trends in Consumer Behaviour
1.6	Application of Consumer Behaviour in marketing
1.7	Summary
1.8	Additional Reading
1.9	Self-Assessment Questions
2.1.1	Introduction
2.2	Nature of Consumer Behaviour
2.3	Concept and need for studying Consumer Behaviour
2.4	Importance of Consumer Behaviour
2.5	Consumer Behaviour and marketing management
2.6	Consumer behaviour and market segmentation
2.7	Criteria and strategies for market segmentation
2.8	Summary
2.9	Additional reading
3	3.1 Introduction
4	3.2 History of Consumer Research
5	3.3 The Value of Consumer Research
6	3.4 Consumer Research Process
7	3.5 Summary
8	3.6 Additional Reading
9	3.7 Self-Assessment Questions
10	4.1 Introduction
11	4.2 Meaning of Consumer Psychographic Inventory
12	4.3 Constructing a Psychographic Inventory
13	4.4 Psychographic Segmentation
14	4.5 Application of Psychographic Analysis
15	4.6 Summary
16	4.7 Additional Reading
17	4.8 Self-Assessment Questions
18	5.1 Introduction
19	5.2 Definition and Meaning of Consumer Attitude
20	5.3 Nature and component of Attitudes
21	5.4 Factors Involved in formation of Attitudes
22	5.5 Theories of Attitudes
23	5.6 Models of Attitude
24	5.7 Measurement of Attitudes
25	5.8 Summary
26	5.9 Additional Reading
27	5.10 Self-Assessment Questions
28	6.1 Introduction
29	6.2 Definition and Meaning of Social Class

- 30 6.3 Measurement of social class
- 31 6.4 Characteristics features of social class
- 6.5 Lifestyle Profiles of the social class
- 6.6 Summary
- 6.7 Additional Reading
- 6.8 Self-assessment questions
- 7.1 Introduction
- 7.2 Characteristics of Culture
- 7.3 Cultural Influence
- 7.4 Cultural Value and Consumer Behaviour
- 7.5 Culture and Product
- 7.6 Social Implication of Culture
- 7.7 Summary
- 7.8 Additional Reading
- 7.9 Self-Assessment Questions

OBJECTIVES

- 8.1 Introduction
- 8.2 Meaning of Opinion Leadership
- 8.3 Characteristics of opinion Leaders
- 8.4 Measurement of Opinion Leadership
- 8.5 Opinion Leadership and Firm Promotional Strategy
- 8.6 Summary
- 8.7 Additional Reading
- 8.9 Self-assessment questions
- 9.1 Introduction
- 9.2 Meaning of Consumer Decision Making
- 9.3 Buying Roles
- 9.4 Types of Decision making
- 9.5 Stages in Decision Making Process
- 9.6 Summary
- 9.7 Additional Reading
- 9.8 Self -Assessment Questions
- 10.1 Introduction
- 10.2 Economic View
- 10.3 Cognitive View
- 10.4 Emotional View
- 10.5 Passive View
- 10.6 Sciffman and Kanuk's Model of consumer decision making
- 10.7 Summary
- 10.8 Additional Reading
- 10.9 Self-Assessment Questions
- 11.1 Introduction
- 11.2 Nicosia Model
- 11.3 Howard Seth Model
- 11.4 Webster and Wind Model of organization Buying Behavior
- 11.5 Engel Kollat Blackwell Model
- 11.6 Summary
- 11.7 Additional Reading
- 11.8 Self-Assessment Questions

1

BASICS OF CONSUMER BEHAVIOUR

STRUCTURE

- 1.1 Introduction
- 1.2 Definition of consumer behavior
- 1.3 A managerial and Consumer Perspective on Consumer Behaviour
- 1.4 Consumer Rights and Social Responsibility
- 1.5 Trends in Consumer Behaviour
- 1.6 Application of Consumer Behaviour in marketing
- 1.7 Summary
- 1.8 Additional Reading
- 1.9 Self-Assessment Questions

OBJECTIVES

The purpose of this course is to introduce students to consumers, consumer behaviour in the market place and their impact on marketing strategy. This course discussed the principal factors that influence consumers as individuals and decision makers with an application to the buying decision process. Analyze of the reasons and motives for consumer buying behavior and understanding the basic laws and principles of consumer behaviour in order to influence their purchasing decisions.

1.1 INTRODUCTION

Consumer behaviour is comparatively a new field of study which evolved just after the Second World War. The sellers' market has disappeared and buyers' market has come up. This led to paradigm shift of the manufacturer's attention from product to consumer and specially focused on the consumer behaviour. It is a globally accepted fact that in recent times, marketers have become dynamic and the consumer has control over the strategic decisions made by the insurance companies. Business environment today is turbulent as never before and the service industry as promising as never before. In this era of intense competition where customer is the king, success depends a lot on the efficiency of the managers in delivering what they have promised and the responsibility lies on the organizations to develop such a culture where business ethics

are followed, value for the services is provided and quality services are offered to achieve higher level of customer satisfaction. For achieving customer satisfaction understanding dynamic consumer behaviour is essential. As true believers in the marketing concept marketer should try their best to meet needs of consumers. Consumer behaviour is a study of how individuals make decision to spend their available resources (time, money and effort) or consumption related aspects (What they buy? When they buy? How they buy? etc).

The heterogeneity among people makes understanding consumer behavior a challenging task to marketers. Hence marketers felt the need to obtain an in-depth knowledge of consumers buying behaviour. Finally this knowledge acted as an imperative tool in the hands of marketers to forecast the future buying behavior of customers and devise four marketing strategies in order to create long term customer relationship.

1.2 DEFINITION OF CONSUMER BEHAVIOUR

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. Marketers expect that by understanding what causes the 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 the goods to the consumers.

The study of consumer behavior assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process. According to Engel, Blackwell, and Mansard, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Loudon and Bitta, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'. According to Ralph Waldo Emerson "Every man is a consumer, and ought to be a producer. He is by constitution expensive, and needs to be rich.

According to Professor Theodore Levitt of the Harvard Business School, the study of Consumer behaviour is one of the most important in business education, because the purpose of a business is to create and keep customers. Consumers are created and maintained

through marketing strategies. The quality of marketing strategies depends on knowing, serving, and influencing consumers. This suggests that the knowledge and information about consumers is critical for developing successful marketing strategies because it challenges the marketers to think about and analyze the relationship between the consumers and marketers, and the consumer behaviour and the marketing strategy.

Consumer behavior 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 behavior 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 behavior 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 behavior and were left behind in releasing GF products. Understanding consumer behavior allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants.

The Three Factors

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

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.

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 behaviors than a younger person, meaning they will choose products differently and spent their money on items that may not interest a younger generation.

Social Factors

The third factor that has a significant impact on consumer behavior 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 analyze when developing marketing plans.

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

Customers versus Consumers

The term 'customer' is specific in terms of brand, company, or shop. It refers to person who customarily or regularly purchases particular brand, purchases particular company's product, or purchases from particular shop. Thus a person who shops at 'Cobbler' for shoes or who uses Raymond's clothing is a customer of these firms. Whereas the 'consumer' is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.

1.3 MANAGERIAL AND CONSUMER PERSPECTIVE ON CONSUMER BEHAVIOUR

The purpose of studying a discipline is to help oneself to better appreciate its contributions. The reason to study consumer behavior is because of the role it plays in the lives of humans. Most of the free time is spent in the market place, shopping or engaging in other activities. The extra time is usually passed in knowing and thinking about products and services, discussing with friends about them, and watching advertisements related to them. The usage of them significantly reveals our life styles. All these reasons suggest the need for study. However, the purpose may be to attend immediate and tangible reasons.

Involvement with the product makes consumers process the product-related information more readily. This information is processed thoroughly; hence, it is retained for a longtime. Because of this the consumers become emotionally high and tend to engage in extended problem solving and word- of-mouth communications.

Consumers are often studied because certain decisions are significantly affected by their behavior or expected actions. For this reason, consumer behavior is said to be an applied discipline. Such applications can exist at two different level of analysis:

1. Micro perspective

The micro perspective involves understanding consumers for the purpose of helping a firm or organization accomplish its objectives. Advertising managers, product designers, and many others in profit-oriented businesses are interested in understanding consumers in order to be more effective at their task. In addition, managers of various non-profit organizations have benefited from the same knowledge. For example, the United Way and the American Red Cross have been effective in applying an understanding of consumer behavior concepts to their activities. The micro perspective seeks applications of this knowledge to problems faced by the individual firm or organization.

2. Macro perspective

On the macro, or aggregate, level we know that consumers collectively influence economic and social conditions within an entire society. In market systems based on individual choice, consumers strongly influence what will be produced, for whom it will be produced, and what resources will be used to produce it. Consequently, the collective behavior of consumers has a significant influence on the quality and level of our standard of living. Consider the overall impact of American consumers' strong desire for private automobile transportation. Vast amounts of resources have been used to produce cars, highway systems, and petroleum products used in their operation. It has also strongly influenced where many of us live (for example, suburbs) and how we run our daily lives (for example, what we eat where we shop, and how we are entertained). Furthermore, this collective desire not only has led to the development of a strong transportation network but also has significantly contributed to our pollution problems, energy needs, and international relations. As this illustrates, understanding consumer behavior from a macro perspective can provide insight into aggregate economic and social trends and perhaps even predict such trends. In addition, this understanding may suggest ways to increase the efficiency of the market systems and improve the well-being of people in society.

Approaches to study consumer behavior

There are two broad approaches to the study of consumer behavior:

1. Managerial Approach

2. Holistic Approach

Managerial Approach

It views consumer behavior as an applied social science. It is studied as an adjunct to and a basis for developing marketing strategies. A managerial approach to consumer behavior tends to be more micro and cognitive in nature. It is micro in emphasizing the individual consumer his or her attitudes, perceptions, and lifestyle and demographic characteristics.

Environmental effects-reference groups, the family, culture-are studied in the context of how they influence the individual consumer. In being more micro, a managerial orientation is also more cognitive; that is, it emphasizes the thought processes of individual consumers and the factors that go into influencing their decisions. Marketing managers find such a focus on the individual only natural. The goal of all marketing strategy should be to satisfy the needs of individual consumers in a socially responsible manner. Information is collected on the consumer's needs (desired product benefit), thought processes (attitudes and perceptions), and characteristics (lifestyles and demographics). This information is then aggregated to define segments of consumers that can be targeted with the company's offerings. Thus, a more affluent, older baby boom segment might be identified that likes casual wear and emphasizes performance over status. Identification of such a segment would have implications for marketers of everything from clothes to home computers and from yogurt to cars. But there are risks in taking too rigid a managerial perspective.

First, it might overemphasize the rationality of consumers. The cognitive view is that consumers search for and process information in some systematic manner in an attempt to meet their needs. But in many cases, such systematic processing may not occur, as when consumers buy products for their symbolic value, on impulse, or on an addictive basis. Using a strictly approach may not reveal the underlying nature of the consumer's decision in these cases. Second, a micro view might overlook the dynamics of environmental factors independent of the individual. For example, a perspective on gift giving in the context of ritual behavior would be culturally derived and might be insightful for many marketers. Yet such a perspective might be overlooked if the focus is primarily on individual consumers. Third, a managerial perspective tends to focus more on purchase than on consumption. This is only natural since marketing managers emphasize sales results as represented by purchasing behavior. But, recently, the focus has increasingly shifted to what happens after the purchase. Satisfaction is generally defined by the consumption not the

purchase experience. A whole new area in marketing called relationship marketing recognizes that marketers must maintain a relationship with their customers after the purchase. And to a large degree, this relationship will depend on the consumption experience.

Holistic Approach

A holistic approach is more macro in its orientation. It tends to focus more on the nature of consumption experience than on the purchasing process because it stresses the broader, culturally derived context of consumption. Consumption is seen as being symbolic as well as functional, antisocial as well as social, and idiosyncratic as well as normative. Purchase behavior is of little inherent interest outside of its impact on the consumption experience. When it is studied, it is in the context of shopping rather than decision making because shopping is frequently culturally derived. Whereas a managerial orientation is more interested in predicting what the consumer might do in the future, the holistic approach is more interested in understanding the environmental context of the consumer's action. A holistic approach also has its drawbacks. The most important is that findings regarding the culturally derived meaning of consumer actions and consumption experiences may not be actionable from a marketer's perspective. This need not bother those who study consumer behavior for its own sake, but findings from consumer behavior should be actionable for marketing strategies in a business context. Second, a holistic approach does not put sufficient emphasis on purchase decisions. Marketers must understand how consumers reach decisions if they are to influence them. Third, although many consumer decisions are not made through a process of systematic processing, many are. Some understanding of such cognitive processes is necessary if marketers are to attempt to meet consumer needs.

Consumers Perspective on consumer behaviour

With the advent of a buyer's market, marketing managers began to identify consumer needs in a competitive environment and to gear marketing strategies accordingly. A better understanding of consumer needs, perceptions, attitudes and intentions became necessary. Current trends suggest that marketers must continue to be sensitive to changes in consumer needs, demographic characteristics, and lifestyles in order to develop effective marketing strategies.

Three changes in particular are likely to have an impact on marketers:

- A greater value orientation on the part of consumers
- Greater interest in and access to information on products and services.
- The desire for more customized products.

1.4 CONSUMER RIGHTS AND SOCIAL RESPONSIBILITY CONSUMERISM

You have learnt that a consumer is a person who consumes or uses any goods or services. Goods may be consumables like wheat flour, salt, sugar, fruit etc. or durable items like television, refrigerator, toaster, mixer, bicycle etc. Services refer to items like electricity, cooking gas, telephone, transportation, film show etc. Normally, it is the consumption or use of goods and services that makes the person to be called as 'consumer'. But in the eyes of law, both the person who buys any goods or hires any service for consideration and the one who uses such goods and services with the approval of the buyer are termed as consumers. Under the Consumer Protection Act 1986, the word Consumer has been defined separately for the purpose of goods and services.

Concept of Consumer Protection

Consumer protection means safeguarding the interest and rights of consumers. In other words, it refers to the measures adopted for the protection of consumers from unscrupulous and unethical malpractices by the business and to provide them speedy redressal of their grievances. The most common business malpractices leading to consumer exploitation are given below.

- Sale of adulterated goods i.e., adding something inferior to the product being sold.
- Sale of spurious goods i.e., selling something of little value instead of the real product.
- Sale of sub-standard goods i.e., sale of goods which do not confirm to prescribed quality standards.
- Sale of duplicate goods.
- Use of false weights and measures leading to underweight.
- Hoarding and black-marketing leading to scarcity and rise in price.
- Charging more than the Maximum Retail Price (MRP) fixed for the product.
- Supply of defective goods.
- Misleading advertisements i.e., advertisements falsely claiming a product or service
- To be of superior quality, grade or standard.
- Supply of inferior services i.e., quality of service lower than the quality agreed upon.

Social Responsibility

To be socially responsible is when the organization is concerned about people, society and environment with whom and where it conducts business. In its most basic form, socially responsible marketing is taking moral actions that encourage a positive impact on all the company's stakeholders, including employees, community, consumers, and shareholders. The main responsibility of marketers in this aspect is to package and communicate the organization's decisions that will impact the various communities with which they interact. Consumers have the right and power to decide which companies succeed or fail; so marketers have a major responsibility to ensure their practices are seen as philanthropic without being phony.

Ethical Marketing is a philosophy that focus focuses on honesty, fairness and responsibility. Though wrong and right are subjective, a general set of guidelines can be put in place to ensure the company's intent is broadcasted and achieved.

Principles of this practice include:

- A shared standard of truth in marketing communications
- A clear distinction between advertising and sensationalism
- Endorsements should be clear and transparent
- Consumers' privacy should be maintained at all times
- Government standards and regulations must be adhered and practiced by marketers.

American Marketing Association has designed a statement of ethics that governs marketers' actions. The introduction of the statement reads in summary that values are the representation of the collective idea of desirable and morally correct conduct. And that the values outlined in the document serve as the standard by which individuals measure their own actions and those of others including marketers. These values facilitate best practices when transacting business with the public and all involved.

There are six ethical values that marketers are expected to uphold, and these are:

- **Honesty** – Be forthright in dealings and offer value and integrity.
- **Responsibility** – Accept consequences of marketing practices and serve the needs of customers of all types, while being good stewards of the environment
- **Fairness** – Balance buyer needs and seller interest fairly, and avoid manipulation in all forms while protecting the information of the consumers.
- **Respect**– Acknowledge basic human dignity of all the people involved through efforts to communicate, understand and meet needs and appreciate contributions of others.
- **Transparency** – Create a spirit of openness in the practice of marketing through communication, constructive criticism, action, and disclosure.
- **Citizenship** – Fulfill all legal, economic, philanthropic and societal responsibilities to all stakeholders as well as giveback to the community and protect the ecological environment.

Apart from above, the government has also passed much legislation from time to time.

1. Drugs control act, 1954
2. The prevention of food adulteration act, 1954
3. The sales of goods act, 1935
4. The essential commodities act, 1955
5. The standards Weight and Measurements act ,1958
6. The Agricultural Products Act 1937
7. The MRTP Act,1969
8. The Trade Marks and Merchandise Marks Act 1958
9. The Display of prices of Order 1963
10. The Packaged Commodities Order 1975
11. The Consumer Protection act, 1986

1.5 TRENDS IN CONSUMER BEHAVIOUR

A historical perspective shows that a consumer orientation developed out of economic necessity in the 1950s. With the advent of a buyer's market, marketing managers began to identify consumer needs in a competitive environment and to gear marketing strategies accordingly. A better understanding of consumer needs, perceptions, attitudes and intentions became necessary. Current trends suggest that marketers must continue to be sensitive to changes in consumer needs, demographic characteristics, and lifestyles in order to develop effective marketing strategies.

For Understanding the trends in determinants of consumer behavior, we have broadly viewed them under three categories

1. Customer demographic trends
2. Technology Trends
3. Trends in public policy

Customer demographic Trends

Demographics are clearly tied to subculture and segmentation. Here, however, we shift our focus from analyzing specific subcultures to trying to understand the implications for an entire population of its makeup. Several issues are useful in the structure of a population. For example, in some rapidly growing countries, a large percentage of the population is concentrated among younger generations. In countries such as Korea, China, and Taiwan, this has helped stimulate economic growth, while in certain poorer countries; it puts pressures on society to accommodate an increasing number of people on a fixed amount of land. Other countries such as Japan and Germany, in contrast, experience problems with a

"graying" society, where fewer non-retired people are around to support an increasing number of aging seniors. Because Germany actually hovers around negative population growth, the German government has issued large financial incentives, in the forms of subsidies, for women who have children. In the United States, population growth occurs both through births and immigration. Since the number of births is not growing, problems occur for firms that are dependent on population growth (e.g., Gerber, a manufacturer of baby food). Social class is a somewhat nebulous subject that involves stratifying people into groups with various amounts of prestige, power, and privilege. In part because of the pioneering influence in American history, status differentiations here are quite vague. We cannot, for example, associate social class with income, because a traditionally low status job as a plumber may today come with as much income as a traditionally more prestigious job as a school teacher. In certain other cultures, however, stratification is more clear-cut. Although the caste system in India is now illegal, it still maintains a tremendous influence on that society. While some mobility exists today, social class awareness is also somewhat greater in Britain, where social status is in part reinforced by the class connotations of the accent with which one speaks.

Technology Trends

Technology has placed the power in the customers' hands literally with the internet enabled smart phone and tablets. Note, that these devices are always being improved such that the newest version offers more to the consumers, making the previous one obsolete in as little as six months' time. In the past, as a company you set the times that you were open for business, and customers had to put up with it or stay without that particular product. Technology has totally changed that, with the introduction of e-commerce and mobile phones, customers can access products at any time. They have raised expectations on what is acceptable customer service and what is not. As a business, you have to keep up with the changed consumer behavior or be out of business. For example, if a customer wants to purchase something online at night and has a query, they expect to get instant answers. If they do not they choose another supplier from the myriad available online who can meet their immediate. Almost everybody is living two lives, a vibrant online life and a somewhat boring offline one. We are all connected in one platform or another through our network of friends. We also own more than one device that keeps us updated. This means that we thrive on being active and informed online, and Exact Target Marketing content verified this from a study they did, whereby 91% of consumers indicated that access to content across all devices was

important. Technological advances now allow ordinary people to create in ways that were never before possible. Computer programs are allowing everything from art to inventions to take the digital form. As technologies such as 3D printing are perfected, consumers may not need to walk into a store or order a new product online. They will be able to custom design and manufacture it with the click of a mouse. Information technology advancements fuel the connectivity that brings together the world as one big community, from the smart phones to super-fast data. This trend is not about to change because now kids as young as 5 years know how to operate a smart phone, LinkedIn even lowered its age limit to 13years to capitalize on the technology adoption rate. Companies need to meet the consumers where they are and satisfy their sophisticated needs. If your target market spends more time on Instagram or Twitter, be present and respond to them on the same platform. Are you doing enough to leverage technology and handle the informed consumer? This age however, is very refreshed. Social media platforms and live chat place you right in front of your customer; you cannot sacrifice your customer to maintain your brand position. Actually, when you do not respond to a query, you damage your brand reputation because that information is accessible to millions of people. The upside of these new tools is that you have a wider data collection pool; you can fast track your research and development by utilizing the big data. In conclusion, we have seen the growth of technology and its impact on consumer behavior. We have looked at three ways that consumer behavior has changed, from connected consumers to changed expectations and new communication tools use. I believe the statement “Customer is King” has never been experienced by companies like in this information technology era. Traditionally, marketers have focused their attention on the impact of corporate policies upon consumer decision-making and choice behavior. The policies of the government were a given condition external to the consumer decision-making framework. Political scientists and economists, however, have always been interested in the politics and economics of regulation at the aggregate rather than the individual level. People are diverse in their attitudes and motivations. There are ways to categorize people by their attitudes and behaviours in relation to the environment which can help in policy design, although it may be misleading in that it gives too much prominence to the environmental attitudes of people as a guide to drivers of their behaviour. Research has found that pro-environmental behaviours correlate with stronger intrinsic values linked to the well-being of others, such as those held by religious groups. Much of mainstream culture, particularly marketing, promotes extrinsic worldviews focused on status, consumption and

wealth. This can be seen as holding back pro-environmental behaviours. It is likely to be more effective to build pro-environment behaviors through the use of stronger drivers for action like social justice, health or children's wellbeing rather than with people's environmental motivations. Trying to influence behaviors with messages that highlight environmental benefit is only likely to be effective when those messages complement existing perceptions, rather than challenging them, e.g. that higher quality foods are already believed to have higher environmental standards because they are not cutting corners.

1.6 APPLICATION OF CONSUMER BEHAVIOUR IN MARKETING

Consumer behaviour principles are applied in many areas of marketing as discussed below:

Analyzing market opportunity: Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences. This may reveal unsatisfied needs and wants. The trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centres etc. Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.

Selecting target market: A review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and need. Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs.

Marketing mix decisions: Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Here too, consumer behaviour study is very helpful in finding answers to many perplexing questions.

- **Product:** The marketers design the product or service that should satisfy unfulfilled needs or wants. Further decisions regarding the product concern to size, shape and features. The marketer has also to decide about packaging important aspects of service, warranties and accessories etc. Nestle first introduced Maggie noodles in masala and capsicum flavours. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic, Shabhar and other flavours.
- **Price:** The second important component of marketing mix is price. Marketers must decide what price to charge for the product or service. These decisions will influence the flow

of revenue to the company. Should the marketer consumer price sensitive and would a lower price stimulate sales? Should there be any price discounts? Do consumers perceive lower price as being indicative of poor quality? To answer such questions, the marketer must understand the way the company's product is perceived by consumers, the importance of price as a purchase decision variable and how different price levels would affect sales. It is only through consumer behavior study in actual buying situations that the marketer can hope to find answers to these important issues.

- **Distribution:** The next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be sold through all the retail outlets or only through selected ones? Should the marketer use only the existing outlets, which also sell competing brands, or should new exclusive outlets selling only the marketer's brands be created? Is the location of retail outlets important from consumers' point of view? Should the company think of direct marketing? The answers to these questions are furnished by consumer behaviour research.

- **Promotion:** Promotion is concerned with marketing communications to consumers, the more important methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion? The company has to know the target consumers, their location, what media do they have access to and what are their media preferences, etc. In most cases of industrial products there is very little or no advertising. Brochures containing technical specifications are often posted to the clients and the salespeople make follow-up visits. Consumer products get the maximum share of advertising. Pharmaceutical industries exclusively use personal selling for prescription drugs. Insurance companies use both advertising and personal selling.

1.7SUMMARY

The heterogeneity among people across the world makes understanding consumer buying behavior an intricate and challenging task. Product motives and patronage motives play a crucial role in consumer purchases. Like individuals organizations also make many buying decisions. The major factors that distinguish it from consumer decision are market structure and demand, buyer characteristics and decision process and buying patterns. The degree of involvement has a lot of impact on search of information, information processing, and transmission of information. The various models of consumer involvement help marketers to study purchase behavior across product segments.

1.8 ADDITIONAL READING

1. Pearson Education, Asia. Paul E. Green & Donald S. Tull, Research for Marketing Decisions.
2. Phi Learning Private Limited, New Delhi, 2009 Donald R. Cooper & Schindler, Marketing Research Concept & Cases, Tata McGraw-Hill Publishing Company Limited, new Delhi, 2006
3. S.C. Gupta, Marketing Research, Excel Books India, 2007

1.9 SELF-ASSESSMENT QUESTIONS

1. Which are the various disciplines that have contributed to the study of Consumer Behavior?
2. Explain the nature of consumer behavior
3. Justify the statement, "The evaluation of marketing concept from mere selling concept to Consumer-oriented marketing has resulted in buyer behavior becoming an independent discipline."
4. How does processing of information affect consumer involvement?
5. Discuss various consumer involvement models and their suitability to different organizations?

2

PRINCIPLES TO STRATEGIC MARKETING

STRUCTURE

- 31.1 Introduction
- 31.2 Nature of Consumer Behaviour
- 31.3 Concept and need for studying Consumer Behaviour
- 31.4 Importance of Consumer Behaviour
- 31.5 Consumer Behaviour and marketing management
- 31.6 Consumer behaviour and market segmentation
- 31.7 Criteria and strategies for market segmentation
- 31.8 Summary
- 31.9 Additional reading
- 31.10 Self-assessment questions

OBJECTIVES

- 1 To introduce the marketing concept and how we identify, understand and satisfy the needs of customers and markets.
- 2 To analyze companies and competitors and to introduce marketing strategy to increase awareness of the strategic and tactical decisions behind today's top performing brands.
- 3 To consider the various decision areas within marketing and the tools and methods used by marketing managers for making decisions.

2.1 INTRODUCTION

Consumer behaviour is the study of the way people seek, purchase, use, evaluate and dispose of products and services. It is the psychology of marketing, and it is used to determine why consumers seek one product alternative from the other. But why do consumers seek and purchase products? This is linked to the ideology of needs and wants. Needs and wants exist if a consumer is unsatisfied, consumers seek and purchase the products that can provide them with maximum satisfaction. Consumer behaviour can be used by marketers to create the marketing strategy; targeting each consumer effectively once they understand their needs and wants through the research of consumer behaviour.

In this chapter we will identify the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences. This may reveal unsatisfied needs and wants. The trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centers etc.

2.2 NATURE OF CONSUMER BEHAVIOUR:

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

- Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- Personal factors such as age, gender, education and income level.
- Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.
- Social factors such as social status, reference groups and family.
- Cultural factors, such as religion, social class—caste and sub-castes.

2. Undergoes a constant change:

Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors.

3. Varies from consumer to consumer:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means. They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who despite

having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

4. Varies from region to region and country to county:

The consumer behaviour varies across states, regions and countries. For example, the behaviour of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviour. The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behaviour may also vary across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer behaviour is important to the marketers:

Marketers need to have a good knowledge of the consumer behaviour. They need to study the various factors that influence the consumer behaviour of their target customers. The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respect of the following factors:

- a. Product design/model
- b. Pricing of the product
- c. Promotion of the product
- d. Packaging
- e. Positioning
- f. Place of distribution

6. Leads to purchase decision:

Positive consumer behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviour to increase their purchases.

7. Varies from product to product:

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle-

aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

8. Improves standard of living:

The buying behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprive themselves of higher standard of living.

9. Reflects status:

The consumer behaviour is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

2.3 CONCEPT AND NEED FOR STUDYING CONSUMER BEHAVIOUR

During the past few years, the emergence of a broadened concept of marketing has eradicated the boundaries that had traditionally defined its domain. Marketing now comprehends the facilitation of the exchange process, regardless of whether economic goods and services, persons, institutions, places or ideas constitute the object of exchange. Strategies and tactics which were once indigenous to a business setting are now being employed in a variety of contexts. Since consumer behavior is a subfield of marketing (as well as other disciplines), it seems logical to suggest that it too should be concerned with a breadth of consumption contexts. Certainly a major objective of this workshop is to examine the derivation and application of consumer behavior knowledge in "nontraditional" settings--specifically, health, education, and welfare. Of equal concern is the development of a paradigm for the understanding, prediction, and control of consumer behavior in its broadened context. With the emergence of the modern marketing concept after World War II, marketing researchers and practitioners began to study consumer behavior as an aid to decision making. These investigations tended to focus on the content of consumer thought. Measures with high face validity as behavioral predictors, such as attitude, personality, and demography, were administered to determine the profile of potential market targets.

Furthermore, the theoretical underpinning of this approach was typically monomial; consumer behavior was ground in micro-economic, psychoanalytic, or perceived risk theory. Before understanding consumer behaviour let us first go through few more terminologies:

Consumer:

Any individual who purchases goods and services from the market for his/her end-use is called a consumer. In simpler words a consumer is one who consumes goods and services available in the market.

Consumer Interest:

Every customer shows inclination towards particular products and services. Consumer interest is nothing but willingness of consumers to purchase products and services as per their taste, need and of course pocket. Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.

Why do you think an individual buys a product?

- Need
- Social Status
- Gifting Purpose

Why do you think an individual does not buy a product?

- No requirement
- Income/Budget/Financial constraints
- Taste

When do you think consumers purchase products?

- Festive season
- Birthday
- Anniversary
- Marriage or other special occasions

2.4 IMPORTANCE OF CONSUMER BEHAVIOUR

Understanding consumer behaviour is important for any organization before launching a product. If the organization failed to analyse how a customer will respond to a particular product, the company will face losses. Consumer behaviour is very complex because each consumer has different mind and attitude towards purchase, consumption and disposal of product (Solomon, 2009). Understanding the theories and concepts of consumer behaviour helps to market the product or services successfully. Moreover, studying consumer behaviour helps in many aspects. As there is constant change in the living standards, trend, fashion and change in technology; consumer's attitude towards the purchase of product varies (Kumar, 2004). Understanding these factors is of utmost importance because the marketing of product are largely dependent on these factors. Thus, consumer behaviour serves as a

successful tool for marketers in meeting their sales objectives. Consumer Behaviour or the Buyer Behaviour is referred to the behaviour that is displayed by the individual while they are buying, consuming or disposing any particular product or services. These behaviours can be affected by multiple factors. Moreover, it also involves search for a product, evaluation of product where the consumer evaluate different features, purchase and consumption of product. The customers while buying a product goes through many steps. The study of consumer behaviour helps to understand how the buying decision is made and how they look for a product. Moreover, the understanding consumer behaviour also helps marketers to know the what, where, when, how and why of the consumption of product consumption. These help marketers or organizations to know the reason behind the purchase of product by consumers and how it satisfies them. Among other factors, the basic needs like shelter and hunger along with craving for psychological fulfillment tends consumer to buy a certain product or services.

Importance of Consumer Behaviour to business managers

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. As consumers are the most important person for marketer or sales person, therefore it is important for them to consider the likes and dislikes the consumers so that they can provide them with the goods and services accordingly (Solomon, 2009). The more careful analysis helps in more exact prediction about the behaviour of consumers of any product or services. The study of consumer behaviour helps business manager, sales person and marketers in the following way.

- To design the best possible product or service that fully satisfies consumer's needs and demands.
- To decide where the service or product would be made available for easy access of consumers.
- To decide the price at which the consumers would be ready to buy that product or service.
- To find out the best method of promotion that will prove to be effective to attract customers to buy a product.
- To understand why, when, how, what and other factors that influence buying decision of the consumers.

Importance of Consumer Behaviour to Marketers

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. This helps marketers to investigate and understand the way in which consumers behave so that they can position their products to specific group of people or targeted individuals.

In regard to the marketer's view point, they assume that the basic purpose of marketing is to sell goods and services to more people so that more profit could be made. This principle of making profits is heavily applied by almost all marketers. Earlier, the marketers were successful in accomplishing their purpose. However, today, as the consumers are more aware about the use of product and other information of the product, it is not easy to sell or attract customer to buy the product. Thus, in order to sell a product or service or to convince consumers to buy product, the marketers have to undergo through proper research to win them over.

The following are some of the points discussed that explains the value to marketers of understanding and applying consumer behaviour concepts and theories.

- To understand Buying Behaviour of consumers
- To create and retain customers through online stores
- To understand the factors influencing Consumer's buying behavior
- To understand the consumer's decision to dispose a product or services
- To increase the knowledge of sales person influence consumer to buy product
- To help marketers to sale of product and create focused marketing strategies

To understand buying behavior of consumers

The study of consumer behaviour helps marketers to recognize and forecast the purchase behaviour of the consumers while they are purchasing a product. The study of consumer behaviour helps the marketers not only to understand what consumer's purchase, but helps to understand why they purchase it. Moreover, other questions like how, where and when they purchase it are also answered. The consumption and the reasons behind disposition of that particular product or services help marketers to be fully aware of the product that is marketed. The consumer behaviour studies also help marketers to understand the post purchase behaviour of the consumers. Thus, the marketers become fully aware about every phase of consumption process i.e., pre-purchase behaviour, behaviour during purchase and post purchase behaviour. Many studies in the past shows that each consumer behaves

differently for a product i.e., they buy the product for different reasons, pay different prices, use the product differently and have different emotional attachments with the product.

To create and retain customers through online stores

Professor Theodore Levitt says that consumer behaviour is of most importance to marketers in business studies as the main aim is to create and retain customers. If the consumers are satisfied with the product, he or she will buy the same product again. Therefore, the product should be marketed by marketers in such a way that convince customer to buy the product. Thus, creating customer and the retaining those customers are important. These can be done through understanding and paying close attention towards the consumer's behaviour while making purchase decision or buying a product in market place. Moreover, the information published on the websites largely influences the customer's buying behaviour. Such information on published sources arouse consumer to buy a product or service. Moreover, updating such information will help the consumer to retain to a product or re try the product if the product has dissatisfied them.

To understand the factors influencing consumer's buying behavior

It is important for marketers to consider the factors that affect the buying behaviour of consumer before entering the market. There are many factors that can influence the purchase decision of consumers such as social influence, cultural influences, psychological factors and personal factors. Understanding these factors helps marketers to market the product on right time to the right consumers. For example, if marketer is marketing a product which is Halal. The marketers first consider all the factors that can influence consumers to buy Halal products, where they can target specific areas where Halal food is more sold. The marketers need to pay attention to cultural influences such as religion, values and norms of the people or societies targeted and lifestyle of the targeted consumers. The marketers can propose different strategies that convince the targeted consumers to buy marketed products or services.

Moreover, the marketers should be ascertain the factors that influence and affects purchase decision of consumers. If the marketers failed to understand the factors that might influence consumers, they will fail to convince the consumer to purchase that product or will fail to meet the demands of consumers. Some variables cannot be directly observed. In such case, thorough understanding of concepts and theories of consumer behaviour helps marketers to predict the consumer's buying behaviour to a reasonable extent. Thus,

understanding consumer's behaviour to buy a product is complex and requires marketers to continuously understand and apply various concepts and theories for successful marketing.

To increase the knowledge of sales person influence consumer to buy product

All the products and services marketed revolve around the behaviour of consumers that how they will respond to them. Effective marketing of a product by sales people may help to deliver right product to right people. Consumer behaviour deals with the knowledge of what the consumers need and want to buy and what goods and services are available to satisfy their needs. Thus, consumer behaviour deals with particularly with the behaviour of people i.e., consumers. It is important for sales person to be fully aware of the customer's requirement so that he or she could clearly communicate the benefits of the product to the customers. Moreover, the sales person by understanding consumer's demand and need for a product can sell goods that are most closely related to their requirement. Besides understanding consumer behaviour, the sales person should also have command over their spoken language. This is because any miscommunication could harm brand reputation. Moreover, if the consumers have more knowledge about the product than the sales person, the sales might fail to meet their targets. Thus, analysing consumer's behaviour and knowledge for effective marketing of products by sales people are important. The sales people must be fully aware of the consumer's behaviour in different situations so that they could help them in meeting their demands and satisfaction.

To understand consumer's decision to dispose a product or services

Disposal of product involves throwing away of products by the consumers. This behaviour of consumer is very complex and requires more importance by the marketers. Understanding the consumer's behaviour about how and when consumers dispose a product, the marketers or the companies can position themselves so that this behaviour could be limited. If the product or services that have failed to deliver required or expected satisfaction by the consumers, the product is disposed by the customers. For this, some marketers track the follow up from the consumers so that they can gauge the reason behind failure of the product. Moreover, in order to retain customers, some marketers or organizations offer customers with services like exchange of product, money back guarantee etc. Although, these tools are helpful to influence post purchase behaviour of consumers to some extent.

The method of disposition varies transversely from product to product. Some of the factors that lead to consumer's behaviour to dispose a product include psychological characteristics, situational factors or the intrinsic factors of product. The psychological

characteristics include attitude, mood, emotion, social class, social conscience, perception etc. The situational factors such as urgency, functional use, fashion change etc. and intrinsic factors such as product style, durability, reliability, adaptability, replacement cost, colour, size etc. can lead to consumer's decision to dispose a product. For example, the personal computers sold previously were largely demanded by consumers. However, due to change in size, advancing technology, affordability, convenience; most people have switched to laptops and mobiles with operating systems have disposed personal computers to a greater extent.

To help marketers to optimize sale of product and create focused marketing strategies

The theories and concepts of consumer behaviour help marketers to optimize their sales and to create efficient marketing strategies. Moreover, these theories provides marketers with information on the consumer's behaviour to spend money, likely causes that incline them to spend more money on a product, and these two information help to plan strategies that should be practiced by the marketers for successful marketing of a product. Studying different consumer behaviour theories helps to understand the different choices that consumers make to buy a product. There are some factors that need to be carefully analysed by the marketers which help them to increase their sales and develop effective marketing strategies. These factors are discussed as follows:

Consumer's rational behaviour: It is foremost important for a marketer to understand the situations where consumers behave rationally. Many consumer behaviour theories suggest that the consumers want to get maximum benefit and satisfaction from the product by spending minimum amount of money. This shows that consumers do not spend all their money to buy a product and keeps a certain amount of money as their savings. However, on the other hand, the consumers having limited money spend all their money on purchase of their basic needs such as shelter, food and clothing. Thus, the marketer must carefully analyse these two situations of consumers before marketing a product or services.

Consumer's taste and preferences: Understanding consumer taste and preferences helps marketers to revamp their product so that they could meet customer satisfaction. These factors may change from time to time. The change in consumer's behaviour affecting by these factors should be carefully monitored. The marketers need carefully understand the consumer's interest in the products by breaking down the targeted consumers into demographics, like age, occupation and location as they contribute investigating information about consumer preferences.

Price of Products: Prices of products are a widely discussed factor in consumer behavior theories. The theories suggest that marketers should keep their prices low without affecting the quality to attract consumers. This is because consumers go mostly for products that are of low price but satisfies their demand.

Features of Product: Increased number of features offered by the product tends to increase the price of products. In such case, consumers go for added features in a product at affordable price. Therefore, the markers design their products in such a way that the product gives maximum value or features to consumers at affordable price (Goessl, 2011). Consumer's knowledge about a product: The marketer must know to what extent the consumers have knowledge about a product. Mostly, consumers select products with which they are familiar with. For example, if the consumers are aware of the health effects of eating high fat food or fast food, marketing of such a product to health conscious consumer will end up in failure. In a nutshell, consumer behaviour theories and concepts are of most importance to the sales people or the marketers. As products are made to cater consumer's needs and demands, therefore, the products should be carefully marketed for the successful achievements of organizational goals. The study of consumer behaviour helps them in analysing different factors that has influence on the buying decision of the consumers. If the marketers failed to understand these factors, they would not meet their targets.

	High Involvement	Low Involvement
Significant differences between brands	Complex Buying Behavior	Variety Seeking Behavior
Few differences between brands	Dissonance Reducing Buying Behavior	Habitual Buying Behavior

Involvement in Purchase decision

Above figure describes the involvement of the consumer in the decision making process in relation to involvement in purchasing. Consumer involvement is the state of mind that motivates a consumer to make a purchase or the importance a consumer places on a

product or service. There are different levels of involvement a consumer can have in the decision-making process and factors that influence that involvement.

Low Involvement: These types of decisions are considered habitual decisions. These are products or services that a person buys on a regular basis and does not have to do any research on. For example, a low-involvement decision can include groceries, laundry detergent, and household items that are purchased all the time and the consumer already knows what they want to buy.

High Involvement: Typically, the more money a consumer is going to spend on a product, the more involved they will be in the decision-making process. These types of purchases can be expensive jewelry, vacations, cars, and houses. These types of decisions take time and require research. The consumer will not make the decision in an instant, but instead will compare products or services and eliminate their risk.

Purchasing Power

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results. Understanding, analyzing and keeping track of consumer behavior is very critical for a marketing department to retain their position successfully in the market place.

Group Influence

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same.

Personal Preferences

At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the dominant influencing factor. Though advertisement can help in influencing these

factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

Economic Conditions

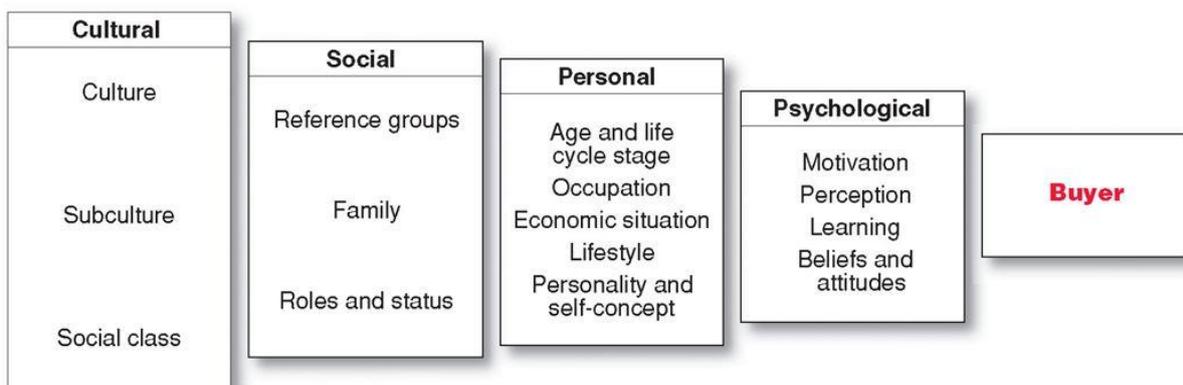
Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities.

Marketing Campaigns

Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies. The marketers try to understand the actions of the consumers in the marketplace and the underlying motives for such actions. These motives are the factors that influence the consumer behavior.

Psychology Factors: The human psychology plays a crucial role in designing the consumer’s preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are:

- Motivation
- Perception
- Learning
- Attitudes and Beliefs



Factors Affecting Consumer Decisions

Social Factors: The human beings live in a complex social environment wherein they are surrounded by several people who have different buying behaviors. Since the man is a social animal who likes to be acceptable by all tries to imitate the behaviors that are socially acceptable. Hence, the social factors influence the buying behavior of an individual to a great extent. Some of the social factors are:

- **Family**
- **Reference Groups**
- **Roles and status**

Cultural Factor: It is believed that an individual learns the set of values, perceptions, behaviors, and preferences at a very early stage of his childhood from the people especially, the family and the other key institutions which were around during his developmental stage. Thus, the behavioral patterns are developed from the culture where he or she is brought up. Several cultural factors are:

- **Culture**
- **Subculture**
- **Social Class**

Personal Factor: There is several factors personal to the individuals that influence their buying decisions. Some of them are:

- **Age**
- **Income**
- **Occupation**
- **Lifestyle**

Economic Factors: The last but not the least is the economic factors which have a significant influence on the buying decision of an individual. These are:

- **Personal Income**
- **Family Income**
- **Income Expectations**
- **Consumer Credit**
- **Liquid Assets of the Consumer**
- **Savings**

These are some of the underlying factors that influence the consumer behavior, and the marketer must keep these in mind, so that appropriate strategic marketing decision is made.

2.5 CONSUMER BEHAVIOUR AND MARKETING STRATEGY

Consumer behaviour deals with the psychological process of decision making by consumers in a social context which also exerts group pressures on them. According to Walter and Paul, “consumer behaviour is the process whereby individuals decide whether, what, when, where, how and from whom to purchase goods and services.” In this process, the consumer deliberates within himself before he makes any purchase decisions. The buying behaviour involves several psychological factors like: individual thinking process (motivation, personality, perception and attitude), decision making process in marketing, interaction of the consumer with several groups like friends, family and colleagues (group oriented concepts) and selection of the brand and outlet depending on price and features and emotional appeal (marketing mix elements in a given environment). Consumer behaviour may be influenced by both internal and external influences. Internal influences are: demographics, psychographics (lifestyle), personality, motivation, knowledge, attitudes, beliefs, and feelings. Again external influences are: culture, ethnicity, family, social class, reference groups, and market mix factors.

Variables of consumer behaviour:

Consumer’s decisions are generally influenced by different variables. These are mainly:
Culture: The most important determinant of consumer behaviour is culture. When a child grows, he is normally influenced by his surrounding culture. Marketers try to spot cultural variances, so that they can target their customers according to their cultural preferences.

Subculture: Within a cultural group, there is a smaller group, which has been termed as subculture. For example, north Indian, south Indian, communal groups, linguistic, etc. are some of the examples of Indian subculture. For example, Assamese sub-culture emphasizes the purchasing of new dresses on “Rongali Bihu”, so, there will be great demand of clothes on the eve of Bihu. These are variables within the cultural aspect of consumer behaviour.

Social Class: It refers to several homogeneous groups that exist in the society. Different caste group, different income group, etc. constitute different social classes.

Personal Factors: According to Philip Kotler, personal factors also influence buying decision of the consumers. Personal characteristics such as age, income, occupation, life style

and personality also count. Preference for any product varies depending on the age and income level of an individual. The term consumer is generally used to describe three different kinds of consuming entities: the personal or household consumer, institutional consumer and industrial consumer. The personal consumer buys goods and services for their own use. For example, we purchase shaving cream or toothpaste etc. for our own consumption.

The Institutional consumers are those who purchases goods and services for particular institutes like hotels, educational institutes, hospitals etc. The Industrial consumers include profit and nonprofit business, government agencies (local, state and national) etc. All these industries should buy goods and services in order to run their organization. Manufacturing companies must buy the raw materials and other components needed to manufacture and sell their own products. Likewise, service companies must buy the office products needed to operate their agencies. The marketer should decide at whom to direct their promotional efforts, the buyer or the user. For some products they must identify the most influential person.

2.6 CONSUMER BEHAVIOUR AND MARKETING SEGMENTATION

Markets consist of buyers who differ in one or more respects. They may differ in their wants, resources, geographical locations, attitudes and buying practices. It is therefore necessary for a marketer to segment his/her market.

Meaning of Market Segmentation

The process of grouping customers in markets from heterogeneity into smaller, more similar or homogeneous segments called as market segmentation. The identification of target customers groups in which customer groups in which customers are aggregated into groups with similar requirements and buying characteristics.

Market segment: A group of individuals, groups or organizations sharing one or more similar characteristics that cause them to have relatively similar in product needs and buying characteristics.

Definition and Meaning

Market segmentation is the process of identifying distinct groups and or sub groups of customers in the market, who have distinct needs, characteristics, preferences and/or behaviors, and require separate product and service offerings and corresponding marketing mixes.

“Market segmentation can be defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix”.

Benefit of Market segmentation

There are a number of reasons organizations undertake segmentation

1. Products are designed to be responsive to the needs of the marketplace. Segmenting markets facilitates a better understanding of customer’s needs, wants and other characteristics.
2. The sharper focus that segmentation offers, allows those personal, situational and behavioral factors that characterize customers in a particular segment can be considered.
3. By being closely in touch with segments, marketers can respond quickly to even the slight changes in what target customers want. i.e. by monitoring the trends towards healthier eating and lifestyles, Mc Donald’s was able to respond by respond by introducing a wider range of salads and healthy eating options including grilled chicken, fruit and yoghurt on to its menus.
4. Increase profits – different consumer segments react in contrasting ways to prices, some are far less price sensitive than others. Segmentation allows an organization to gain from the best price it can in every segment, effectively raising the average price and increasing profitability.
5. Effective Resource Allocation - organizations are more capable of making products that customers want and can afford.
6. There is product differentiation – Various products are made to meet the needs of each customer segment.

2.7 CRITERIA FOR MARKET SEGMENTATION

Requirements of Good Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria.

Identifiable: The marketer should be able to identify which consumers are members of a particular market segment. The consumers in the segment should respond in the same way to a particular marketing mix. There must be some common characteristics that the consumers have.

Measurable: The characteristics that are common to the groups of consumers should be measured in terms of size, purchasing power and other characteristics.

Substantial: The segment should be large enough to generate sales volume that ensures profitability; otherwise it will not be economical to design a unique marketing mix for it.

Accessible: the segments must be reachable through communication and distribution channels.

Durable: the segments should be relatively stable to minimize the cost of frequent changes.

Responsive: Market segments must be defined in their willingness to purchase a product in response to variations in the marketing mix.

Compatible with corporate image: The market must be compatible with the firm's objectives and corporate image.

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

2.8 SUMMARY

- Consumer behaviour is the study of the way people seek, purchase, use, evaluate and dispose of products and services. It is the psychology of marketing, and it is used to determine why consumers seek one product alternative from the other.
- Since consumer behavior is a subfield of marketing (as well as other disciplines), it seems logical to suggest that it too should be concerned with a breadth of consumption contexts.
- Understanding consumer behavior is very important for large and small enterprises facing stiff competition in today's global environment. By analyzing and understanding consumer behavior, a marketer can create a powerful marketing program for constantly updating services and products to fulfill the ever growing demands of the consumers.
- Markets consist of buyers who differ in one or more respects. They may differ in their wants, resources, geographical locations, attitudes and buying practices.

2.9 ADDITIONAL READING

1. Paul E. Green & Donald S. Tull, Research for Marketing Decisions. Pearson Education, Asia.

2. Donald R. Cooper & Schindler, Marketing Research Concept & Cases, PHI Learning Private Limited, New Delhi, 2009
3. S.C. Gupta, Marketing Research, Excel Books India, 2007

2.10 SELF ASSESMENT QUESTIONS

1. Mention the levels/types at which segmentation can take place.
2. Give a brief comparison between the traditional method and customer focused approach to marketing.
3. What is market segmentation?

3

CONSUMER RESEARCH

STRUCTURE

- 3.1 Introduction
- 3.2 History of Consumer Research
- 3.3 The Value of Consumer Research
- 3.4 Consumer Research Process
- 3.5 Summary
- 3.6 Additional Reading
- 3.7 Self-Assessment Questions

OBJECTIVES

Discuss what market research is and how, why, and when it's useful Identify a range of market research tools (e.g., focus groups, interviews, surveys), consider their strengths and weaknesses, and discuss when it would (and wouldn't) make sense to use each Use these tools to solve business problems and craft business strategies.

3.1 INTRODUCTION

Research is defined as a “systematic inquiry aimed at providing information to solve managerial problems.” The term systematic is related to the scientific method, the idea being that research is the process of inquiry conducted in the best, or at least, most appropriate way. The field of consumer research developed in part as an extension of the applied field of marketing research and as part of the scholarly interests of academicians pursuing a more basic understanding of consumers. In both cases, the goals have been to enlarge the understanding of consumers. However, there are differences in motivation carrying out consumer research. Specifically, marketing practitioners have concentrated on the practical application of predicting how consumers will react in the marketplace, and to understand the reasons that drive consumers to make the purchase decisions they do. In contrast, academic consumer researchers tend to be more concerned with advancing the basic knowledge and principles that are associated with consumers' behaviors. Consumer research can also be divided in terms of a qualitative or quantitative perspective.

In this chapter we have considered both, because in reality there is a great amount of both qualitative and quantitative consumer research being conducted by both practitioners and academic consumer researchers.

3.2 HISTORY OF CONSUMER RESEARCH

Marketing Research is the function which links the consumer, customer, and public to the marketer through information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance and improve understanding of marketing as a process. According to Naresh Malhotra, a popular researcher and professor the definition of marketing research is the systematic and objective identification, collection, analysis, and dissemination of information for the purpose of assisting management in decision making related to the identification and solution of problems (and opportunities) in marketing.

These definitions bring out the following common features.

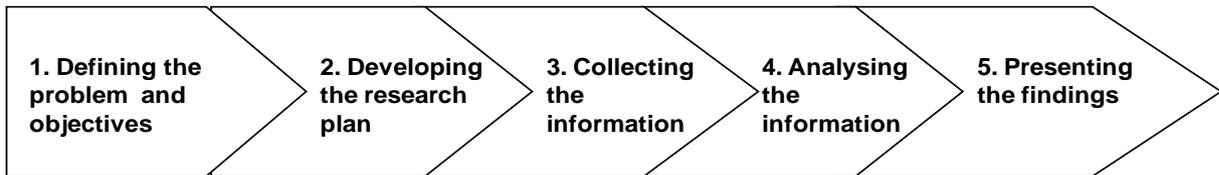
1. Marketing research is a function of a business organization.
2. It links marketer with consumer, customer and public.
3. Information is the outcome of marketing research.
4. It is an objective search- inquiry with a purpose
5. It is systematic. It is based on a defined procedure and uses standard methods.
6. It is a process involving steps like: identification, collection, analysis, and dissemination of information.

Business research can be classified into two types based on the purpose into pure and applied research.

Basic or Pure Research: It is an inquiry undertaken to expand the limits of knowledge. Pure research is involved with collecting information that might be used by a variety of managers. It strives to answer the broader “what if..” question.

Applied Research: It is conducted for a decision made on a specific real-life problem. Applied research starts with a problem-solving focus. When a particular management decision is to be made, applied research involves collecting information specific to that manager’s decision.

The Market Research Process



Steps

Distinguish between the research type needed e.g.
 - exploratory
 - descriptive
 - causal

Decide on
 - budget
 - data sources
 - research approaches
 - research instruments
 - sampling plan
 - contact methods

Information is collected according to the plan (N.B. it is often done by external firms)

Statistical manipulation of the data collected (e.g. regression) or subjective analysis of focus groups

Overall conclusions to be presented rather than overwhelming statistical methodologies

Comments

If a problem is vaguely defined, the results can have little bearing on the key issues

The plan needs to be decided upfront but flexible enough to incorporate changes/ iterations

This phase is the most costly and the most liable to error

Significant difference in type of analysis according to whether market research is quantitative or qualitative

Can take various forms:
 - oral presentation
 - written conclusions supported by analysis
 - data tables

Steps of Marketing Research

Problem Identification Research

The goal of pure research is to identify the existing or potential problems not apparent on the surface. Examples include research addressed to investigate reasons for decrease in market potential or fall in market share or assessing advertising effectiveness.

Problem Solution Research

The goal is to solve specific marketing problems such as segmentation for skin creams, designing a product for a customer, pricing for different markets, promotion of industrial goods and distribution in rural areas does. Both basic and applied research is important. They are complementary as one provides knowledge and another provides applications based on the knowledge gained from it.

Marketing Research and Decision Areas

Manufacturers, retailers, suppliers and their competitors need information for designing effective marketing programs that can satisfy customers and earn profits to the enterprises. Marketing research provides the information for decision makers at each step of the marketing decision process. It is the goal of marketing research to provide relevant,

accurate, reliable, valid and current information to management in order to facilitate managerial decisions. The characteristics of the information provided by marketing research are as given under:

Relevant- It is relevant to address the problem or issue being investigated. It is useful being contextual.

Accurate- It is accurate, correct, and precise to provide right understanding of the decision situation.

Reliable- Reliable as it originates from competent, trustworthy sources and can be used with confidence in making decisions.

Valid- It is useful as it is based on right data and right method of investigation and interpretation. It is applicable to the problem at hand. It can be validated by comparing it with other similar researches or by taking the view of experts.

Timely- It is current and timely. It is an up-to-date for decision maker to use it without hesitation.

Positivism Research

As a philosophy, positivism adheres to the view that only “factual” knowledge gained through observation including measurement, is trustworthy. In positivism studies the role of the researcher is limited to data collection and interpretation through objective approach and the research findings are usually observable and quantifiable. Positivism depends on quantifiable observations that lead themselves to statistical analysis. It has been noted that “as a philosophy, positivism is in accordance with the empiricist view that knowledge stems from human experience. It has an atomistic, ontological view of the world as comprising discrete, observable elements and events that interact in an observable, determined and regular manner”.

The five main principles of positivism philosophy can be summarized as the following:

1. There are no differences in the logic of inquiry across sciences.
2. The research should aim to explain and predict.
3. Research should be empirically observable via human senses. Inductive reasoning should be used to develop statements (hypotheses) to be tested during the research process.
4. Science is not the same as the common sense. The common sense should not be allowed to bias the research findings.
5. Science must be value-free and it should be judged only by logic.

Interpretivism Research

Interpretivism integrates human interest into a study. Accordingly, “interpretive researchers assume that access to reality is only through social constructions such as language, consciousness, shared meanings, and instruments”. Development of interpretivist philosophy is based on the critique of positivism in social sciences. Interpretivism is “associated with the philosophical position of idealism, and is used to group together diverse approaches, including social constructivism, phenomenology and hermeneutics; approaches that reject the objectivist view that meaning resides within the world independently of consciousness”. According to interpretivist approach, it is important for the researcher as a social actor to appreciate differences between people. Moreover, interpretivism studies usually focus on meaning and may employ multiple methods in order to reflect different aspects of the issue.

Positivism vs Interpretivism

- Behavior of human beings in a society is sought to be explained on the basis of two very popular theories known as positivism and Interpretivism.
- While positivism looks at institutions in the society, Interpretivism looks at the individual in the society.
- Positivism is macro sociology while Interpretivism is micro sociology.
- While positivists try to treat sociology as a science dealing in numbers and experiments, interpretivists criticize this approach and say that sociology is not a science and human behavior cannot be explained through quantification.

3.3 THE VALUE OF CONSUMER RESEARCH

Marketing research, is strongly influenced by two major trends in business: (i) Increased globalization and (ii) Rapid growth of the Internet and other information technologies

Globalization Impact

Many organizations have gone global. The global environment is complex and less known to firms when they make the entry decisions. They may require specific information about markets, competition, consumer preferences and tastes and channel practices.

IT Impact

Internet is dramatically changing the face of business research. Information can be gathered in virtual space. Following are the common approaches.

- Getting information from Web sites
- Conducting Web surveys

- Participating in conversations through social media like Facebook and Twitter.

The terms market research and marketing research are usually interchanged by marketing practitioners. While market research is concerned specifically with markets, marketing research is all about marketing process. Marketing research provides information on controllable and uncontrollable factors and enhances the effectiveness of decisions made by marketing managers. Marketing decisions depend on research information to succeed, withstand competitions and other external pressures. The impact of the marketing function on firm performance has been the focus of much recent research in marketing. Thus, the effect of marketing capability on firm performance, compared with that of other capabilities, such as research and development and operations, is an issue of importance to managers. To examine this issue and generate empirical generalizations, the authors conduct a meta-analysis of the firm capability–performance relationship using a mixed-effects model. The results show that, in general, marketing capability has a stronger impact on firm performance than research-and-development and operations capabilities. The results provide guidelines for managers and generate directions for further research.

3.4 CONSUMER RESEARCH PROCESS

Consumer research plays a very important aspect, 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.

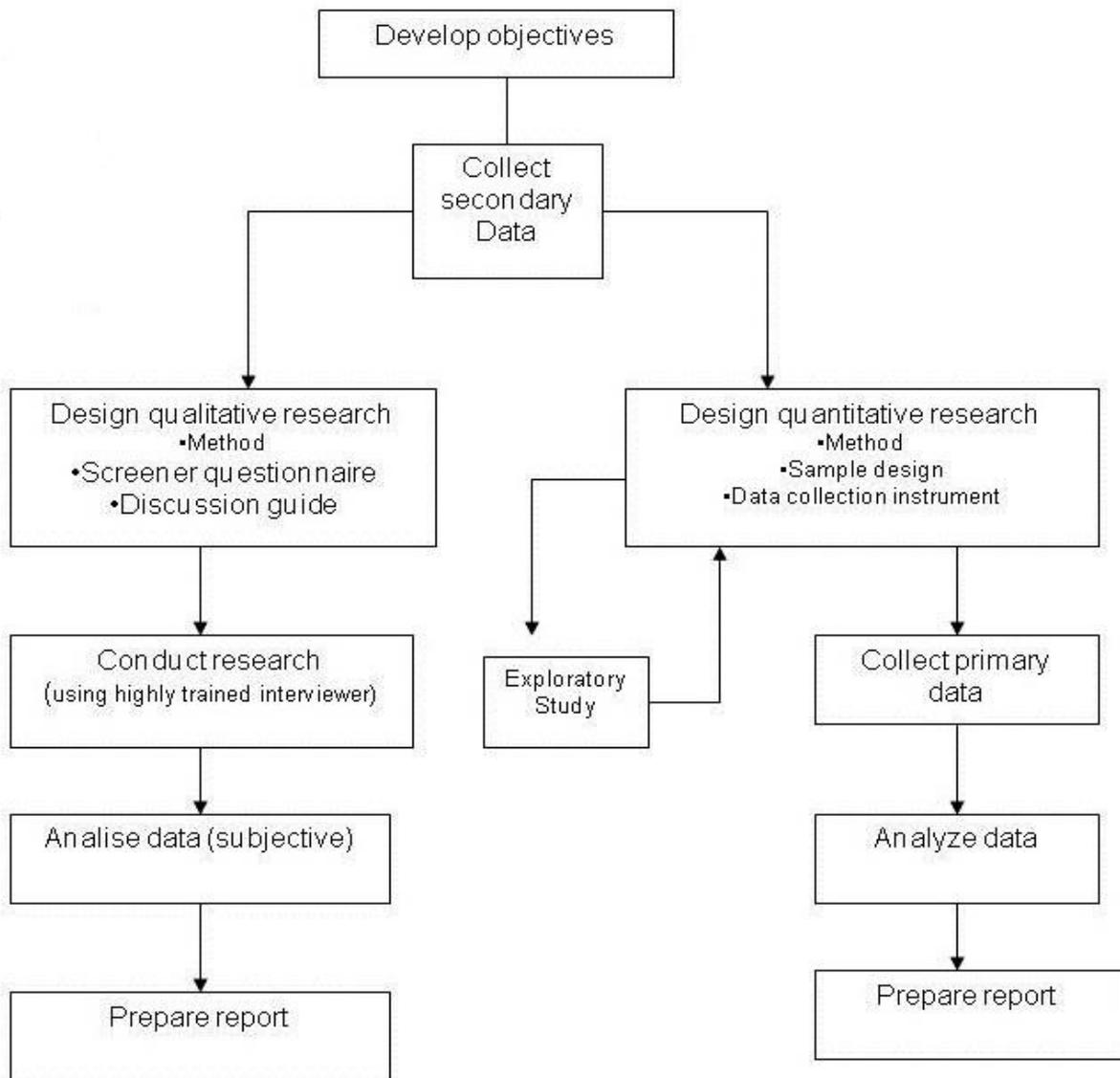
Quantitative Research

- Descriptive in nature
- Need to understand effects of various promotional inputs on consumer
- Predict consumer behavior
- Positivism: research approach
- Experiments, survey techniques, observation
- Findings descriptive, empirical
- Generalized to large population
- Use sophisticated statistical analysis
- Undertaken to improve strategic marketing decisions
- Tries to identify cause and affect relationships in buying situations.

Qualitative Research

- Depth interviews, focus groups, projective techniques
- Findings somewhat subjective

- not generalized to large populations
- highly trained interviewer analyst
- obtain new ideas for promotion campaigns
- tested more thoroughly in larger studies
- interpretivism research approach
- Used primarily to provide new ideas and insights for development of positioning strategies
- More concerned with understanding the act of consuming than buying.



Consumer Research Process.

Identification and Defining the Problem:

The market research process begins with the identification “of a problem faced by the company. The clear-cut statement of problem may not be possible at the very outset of

research process because often only the symptoms of the problems are apparent at that stage. Then, after some explanatory research, clear definition of the problem is of crucial importance in marketing research because such research is a costly process involving time, energy and money. Clear definition of the problem helps the researcher in all subsequent research efforts including setting of proper research objectives, the determination of the techniques to be used, and the extent of information to be collected. It may be noted that the methods of explanatory research popularly in use are: survey of secondary data, experience survey, or pilot studies, i.e., studies of a small initial sample. All this is also known as 'preliminary investigation'.

Statement of Research Objectives:

After identifying and defining the problem with or without explanatory research, the researcher must take a formal statement of research objectives. Such objectives may be stated in qualitative or quantitative terms and expressed as research questions, statement or hypothesis. For example, the research objective, "To find out the extent to which sales promotion schemes affected the sales volume" is a research objective expressed as a statement. On the other hand, a hypothesis is a statement that can be refuted or supported by empirical finding. The same research objective could be stated as, "To test the proposition that sales are positively affected by the sales promotion schemes undertaken this winter." Example of another hypothesis may be: "The new packaging pattern has resulted in increase in sales and profits." Once the objectives or the hypotheses are developed, the researcher is ready to choose the research design.

Planning the Research Design or Designing the Research Study:

After defining the research problem and deciding the objectives, the research design must be developed. A research design is a master plan specifying the procedure for collecting and analyzing the needed information. It represents a framework for the research plan of action. The objectives of the study are included in the research design to ensure that data collected are relevant to the objectives. At this stage, the researcher should also determine the type of sources of information needed, the data collection method (e.g., survey or interview), the sampling, methodology, and the timing and possible costs of research.

Planning the Sample:

Sampling involves procedures that use a small number of items or parts of the 'population' (total items) to make conclusion regarding the 'population'. Important questions in this regard are: who is to be sampled as a rightly representative lot? Which is the target

‘population’? What should be the sample size: how large or how small? How to select the various units to make up the sample?

Data Collection:

The collection of data relates to the gathering of facts to be used in solving the problem. Hence, methods of market research are essentially methods of data collection.

Data can be secondary, i.e., collected from concerned reports, magazines and other periodicals, especially written articles, government publications, company publications, books, etc.

Data can be primary, i.e., collected from the original base through empirical research by means of various tools.

There can be broadly two types of sources

Internal sources—existing within the firm itself, such as accounting, data, salesmen’s reports, financial statement, balance sheets, recorded invoice research reports submitted by some other researchers.

External sources— outside the firm such as government publications census survey, NACAER report.

Data Processing and Analysis:

Once data have been collected, these have to be converted into a format that will suggest answers to the initially identified and defined problem. Data processing begins with the editing of data and its coding. Editing involves inspecting the data-collection forms for omission, legibility, and consistency in classification. Before tabulation, responses need to be classified into meaningful categories. The rules for categorizing, recording and transferring the data to ‘data storage media’ are called codes. This coding process facilitates the manual or computer tabulation. If computer analysis is being used, the data can be key punched and verified. Analysis of data represents the application of logic to the understanding of data collected about the subject. In its simplest form analysis may involve determination of consistent patterns and summarizing of appropriate details. The appropriate analytical techniques chosen would depend upon informational requirements of the problem, characteristics of the research designs and the nature of the data gathered. The statistical analysis may range from simple immediate analysis to very complex multivariate analysis.

Formulating Conclusion, Preparing and Presenting the Report:

The final stage in the marketing research process is that of interpreting the information and drawing conclusion for use in managerial decision. The research report

should clearly and effectively communicate the research findings and need not include complicated statement about the technical aspect of the study and research methods. Often the management is not interested in details of research design and statistical analysis, but instead, in the concrete findings of the research. If need be, the researcher may bring out his appropriate recommendations or suggestions in the matter. Researchers must make the presentation technically accurate, understandable and useful.

Qualitative Research

Qualitative research is a type of scientific research. In general terms, scientific research consists of an investigation that:

- seeks answers to a question
- systematically uses a predefined set of procedures to answer the question
- collects evidence
- produces findings that were not determined in advance
- produces findings that are applicable beyond the immediate boundaries of the study

Qualitative research shares these characteristics. Additionally, it seeks to understand a given research problem or topic from the perspectives of the local population it involves.

Qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviors, and social contexts of particular populations.

Qualitative research data collection methods are time consuming, therefore data is usually collected from a smaller sample than would be the case for quantitative approaches - therefore this makes qualitative research more expensive.

The benefits of the qualitative approach is that the information is richer and has a deeper insight into the phenomenon under study

The main methods for collecting qualitative data are:

- **Depth Interview**
- **Focus/ discussion groups**
- **Projective techniques**

Depth Interview

It is generally use for small samples and also conduct direct one to one personal interviews. A detailed background is provided by the respondents and elaborate data concerning the respondents' opinions, values, motivation, expression, feeling etc. are obtained. Even their non-verbal expressions are observed. They take long time, therefore lengthy observations are involved. These are conducted to customize individual responses.

The questions will depend on what kinds of answers are given. Even interview climate influences the respondents. The success of interviews depends on the rapport of the interviewers established with the respondents.

Advantages of Depth Interview

- Lot of detail is provided.
- Information obtained is comparatively more accurate.
- Personal or intimate topic can also be discussed since the personal rapport is established between the respondent and the interviewer

Disadvantages of Depth Interview

- It is difficult to generalize since the interviewers are non-standardized
- Since the success depends on the interviewer, there are chances of bias.
- Data analysis takes a lot of time.

Focus group: A focus group discussion (FGD) is a good way to gather together people from similar backgrounds or experiences to discuss a specific topic of interest. The group of participants is guided by a moderator (or group facilitator) who introduces topics for discussion and helps the group to participate in a lively and natural discussion amongst them.

Advantage of Focus Group

The strength of FGD relies on allowing the participants to agree or disagree with each other so that it provides an insight into how a group thinks about an issue, about the range of opinion and ideas, and the inconsistencies and variation that exists in a particular community in terms of beliefs and their experiences and practices.

Disadvantage of Focus group

The crucial element of FGD is the facilitation. Some important points to bear in mind in facilitating FGDs are to ensure even participation, careful wording of the key questions, maintaining a neutral attitude and appearance, and summarizing the session to reflect the opinions evenly and fairly.

Projective Techniques

Projective Techniques are indirect and unstructured methods of investigation which have been developed by the psychologists and use projection of respondents for inferring about underline motives, urges or intentions which cannot be secure through direct questioning as the respondent either resists to reveal them or is unable to figure out himself. These techniques are useful in giving respondents opportunities to express their attitudes without personal embarrassment. These techniques help the respondents to project his attitude

and feelings unconsciously on the subject under study. Thus Projective Techniques play an important role in motivational researches or in attitude surveys.

Important Projective Techniques

Word Association Test

Completion Test

Construction Techniques

Expression Techniques

Word Association Test: An individual is given a clue or hint and asked to respond to the first thing that comes to mind. The association can take the shape of a picture or a word. There can be many interpretations of the same thing. A list of words is given and you don't know in which word they are most interested. The interviewer records the responses which reveal the inner feeling of the respondents. The frequency with which any word is given a response and the amount of time that elapses before the response is given are important for the researcher.

Completion Test: In this the respondents are asked to complete an incomplete sentence or story. The completion will reflect their attitude and state of mind.

Construction Test: This is more or less like completion test. They can give you a picture and you are asked to write a story about it. The initial structure is limited and not detailed like the completion test.

Expression Techniques: In this the people are asked to express the feeling or attitude of other people.

Disadvantages of Projective Techniques

- Highly trained interviewers and skilled interpreters are needed.
- Interpreters' bias can be there.
- It is a costly method.
- The respondent selected may not be representative of the entire population.

Researchers using the quantitative method identify one or a few variables that they intend to use in their research work and proceed with data collection related to those variables. This method is also known as iterative process where evidence is evaluated, and hypotheses and theories are refined with some technical advances, leveraging on statistical approach. Quantitative method typically begins with data collection based on a hypothesis or theory and it is followed with application of descriptive or inferential statistics.

Types of Quantitative Research for Data Collections

- **Experimentation**
- **Observation**
- **Survey**

Experimentation

An attempt by the researcher to maintain control over all factors that may affect the result of an experiment. In doing this, the researcher attempts to determine or predict what may occur. A blueprint of the procedure enables the researcher to test his hypothesis by reaching valid conclusions about relationships between independent and dependent variables. It refers to the conceptual framework within which the experiment is conducted.

Steps involved in conducting an experimental study

1. Identify and define the problem.
2. Formulate hypotheses and deduce their consequences.
3. Construct an experimental design that represents all the elements, conditions, and relations of the consequences.
4. Select sample of subjects.
5. Group or pair subjects.
6. Identify and control non experimental factors.
7. Select or construct, and validate instruments to measure outcomes.
8. Conduct pilot study.
9. Determine place, time, and duration of the experiment.
10. Conduct the experiment.
11. Compile raw data and reduce to usable form.
12. Apply an appropriate test of significance.
13. Essentials of Experimental Research
14. Manipulation of an independent variable.

An attempt is made to hold all other variables except the dependent variable constant - control. Effect is observed of the manipulation of the independent variable on the dependent variable observation. Experimental control attempts to predict events that will occur in the experimental setting by neutralizing the effects of other factors.

Methods of Experimental Control

- Physical Control
- Gives all subjects equal exposure to the independent variable.
- Controls non experimental variables that affect the dependent variable.

- Selective Control - Manipulate indirectly by selecting in or out variables that cannot be controlled.
- Statistical Control - Variables not conducive to physical or selective manipulation may be controlled by statistical techniques (example: covariance).

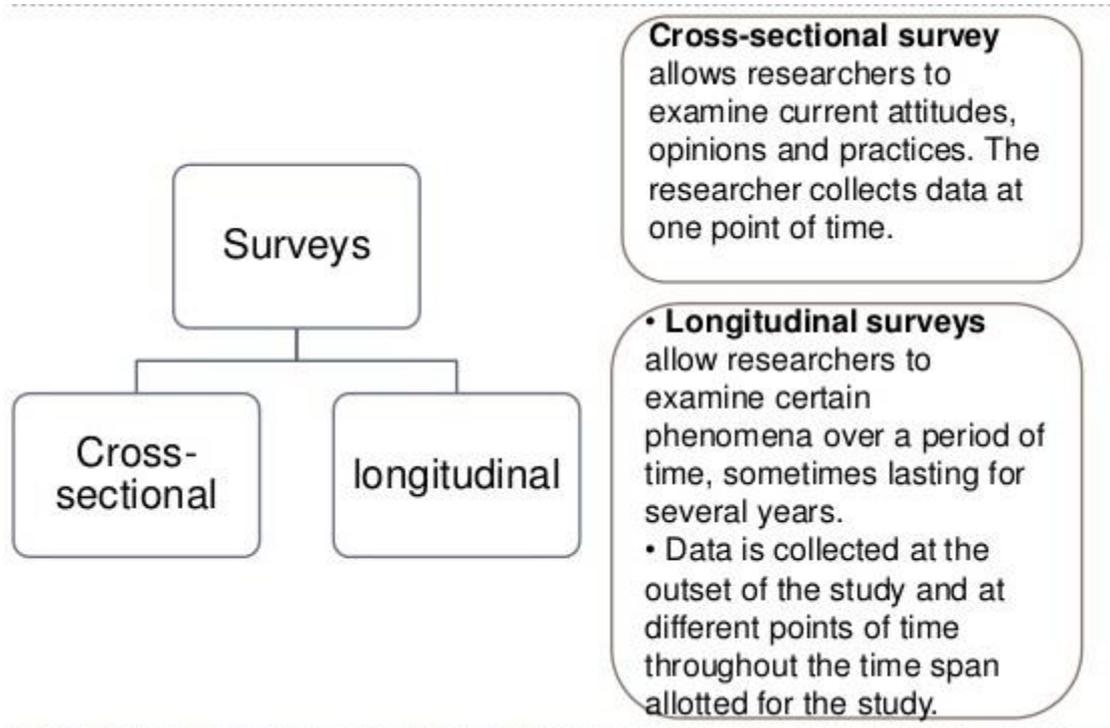
Observation: Observation studies are involved in both quantitative and qualitative research methods. However, in quantitative methods, the focus of observation studies is on a particular factor of behaviour and it is quantified. In this type of design, a researcher will try to maintain objectivity in assessing the behaviour being studied.

No.	Strategies	Description
1	Using rating scale	Using rating scale (e.g. Likert Scale) to evaluate the behaviour in terms of specific factor or reasons
2	Defining the behaviour	Defining the behaviour being studied in a precise and solid manner so that the behaviour is easily recognised during its occurrence.
3	Rated by two or more individuals	Having two or more individual ratings the same behaviour independently, without the knowledge of one another's ratings
4	Clustering the observation periods	Divide observation period into small clusters and then record whether the behaviour does or does not occur during each cluster or segment. Time period may be assigned with some intervals depending on the studies requirement.
5	Train the rater(s)	Train the rater(s) of the behaviour to follow some specific requirement until consistent ratings are obtained during any of the behaviour occurrences

Survey Research

It is widely used as a method due to the nature of the ICT field that involves multiple interests of public, infrastructure and technologies associated with it. Kerlinger (1973) defined survey research as a study on large and small populations by selecting samples chosen from the desired population and to discover relative incidence, distribution and interrelations. The goal of survey research is to learn about a large population by surveying a sample of the population; thus we may also call it descriptive survey or normative survey. In

this method, a researcher poses a series of questions to the respondents, summarizes their responses in percentages, frequency distribution and some other statistical approaches.



In cross-sectional survey, a researcher collects information from a sample drawn from a population. It involves collecting data at one point of time. The period of data collection can vary and it depends on the study weightage. In longitudinal surveys, data collection is done at different points of time to observe the changes.

3.5 SUMMARY

Marketing research can be defined as a process of systematic inquiry to find information required for managerial decision making. It supports the managers in different phases of decision making and in different areas of marketing. Research can be classified into two types-basic and applied. By method research is two types: exploratory and conclusive. There are suppliers of research data and agencies to help organize research. Consultants like Mckinsey, KPMG and research agencies like Anugrah, Sampark and MART are offering services to marketers. The future of Marketing research is challenging with globalisation and information technology, changing the scenario of business operations.

The most common method of generating primary data: It is a technique in which information is gathered from a sample of people by use of a questionnaire. Questionnaires can be administered by mail, phone, or person-to-person. Each administration method has its advantages and disadvantages and all are appropriate in different situations. Research design

is a framework or blueprint for conducting marketing research projects. The popular designs are: explorative, descriptive and conclusive. Explorative research makes use of (i) pilot studies (ii) secondary data (iii) focus group interviews and (iv) case studies. Descriptive research can be done by observation and survey techniques. Causal research is usually done in laboratory and field settings.

3.6 ADDITIONAL READING

1. Naresh K. Malhotra, Marketing Research: An Applied Orientation,
2. Pearson Education, Asia. Paul E. Green & Donald S. Tull, Research for Marketing Decisions.
3. PHI Learning Private Limited, New Delhi, 2009 Donald R. Cooper & Schindler, Marketing Research Concept & Cases, Tata Mcgraw-Hill Publishing Company Limited, New Delhi, 2006
4. S.C. Gupta, Marketing Research, Excel Books India, 2007

3.7 SELF ASSESMENT QUESTIONS

1. Write a brief notes on the history of Consumer research.

4

CONSUMER PSYCHOGRAPHIC

STRUCTURE

- 4.1 Introduction
- 4.2 Meaning of Consumer Psychographic Inventory
- 4.3 Constructing a Psychographic Inventory
- 4.4 Psychographic Segmentation
- 4.5 Application of Psychographic Analysis
- 4.6 Summary
- 4.7 Additional Reading
- 4.8 Self-Assessment Questions

OBJECTIVES

- To understand the meaning of Psychographic
- To gain understanding of the psychological principles by which the marketing mix that consumers are exposed to influences them.
- To use this understanding to develop strategically relevant consumer insights, that is, to identify the key psychological reasons for why particular consumers in particular situations behave the way they do.

4.1 INTRODUCTION

Psychographic segmentation divides the market into groups based on social class, lifestyle and personality characteristics. It is based on the assumption that the types of products and brands an individual purchases will reflect that persons characteristics and patterns of living. Values are enduring beliefs about things that are important. They are learned through the processes of socialization and acculturation. Our values exist in an organized value system, with some values being viewed as more important than others. Some are regarded as terminal values and reflect desired end states that guide behaviour across many different situations. Instrumental values are those needed to achieve these desired end states. Domain specific values are those that are relevant within a given sphere of activity. Western cultures tend to place a relatively high value on material goods, youth, the home, family and children, work and play, health, hedonism, and technology. Marketers use tools

like value segmentation to identify consumer groups with common values. Personality consists of the distinctive patterns of behaviours, tendencies, qualities, and personal dispositions that make people different from one another. Approaches to the study of personality include.

1. The psychoanalytic approach, which sees personality arising from unconscious internal struggles within the mind at key stages of development;
2. Trait theories, which attempt to identify a set of personality characteristics that describe and differentiate individuals, such as introversion, extroversion, and stability.
3. Phenomenological approaches, which propose that personality is shaped by an individual's interpretation of life events.
4. Social-psychological theories, which focus on how individuals act in social situations (e.g., compliant, detached, or aggressive).
5. Behavioral approaches, which view an individual's personality in terms of past rewards and punishments.

4.2 MEANING OF CONSUMER PSYCHOGRAPHICS

Sigmund Freud's psychoanalytic theory of personality is the cornerstone of modern psychology. This theory was built on the premise that unconscious needs or drives, especially biological and sexual drives, are at the heart of human motivation and personality. Those stressing Freud's theories see that human drives are largely unconscious, and that consumers are primarily unaware of their true reasons for buying what they buy. These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality. Researchers have learned to expect personality to be linked to how consumers make their choices, and to the purchase or consumption of a broad product category rather than a specific brand. Marketers are interested in understanding how personality influences consumption behavior because such knowledge enables them to better understand consumers and to segment and target those consumers who are likely to respond positively to their product or service communications.

Marketers also measure lifestyles, which are patterns of behaviour (or activities, interests, and opinions). These lifestyles can provide some additional insight into consumers' consumption patterns. Finally, some marketing researchers use Psychographic techniques that involve all of these factors to predict consumer behaviour. One of the most well-known Psychographic tools is the Values and Lifestyle Survey (VALS). The newer VALS2 identifies eight segments of consumers who are similar in their resources and self-

orientations. Psychographics gained popularity among marketers beginning in the late 1960s and became a staple of marketing by the mid-1970s. Marketers realized that the emotional and psychological connections people make with particular brands often arise from how well the brands fit into the lives of consumers.

4.3 CONSTRUCTING A PSYCHOGRAPHIC INVENTORY

Just as the term demographics refer to certain physical and social characteristics of people, the term “psychographics” refers to people’s lifestyle characteristics. Psychographics was never intended to replace demographics as a means of predicting and explaining consumer marketplace behavior. Instead, psychographics supplement demographics by adding the richness of the social and behavioral sciences to standard demographic descriptions of people. This way marketers could not only describe the types of people that buy their products, they could also consider more systematically the reasons why those people buy them.

Lifestyle

Lifestyle is one of those terms that we understand intuitively but may find difficultly coming up with our own definition. One definition states that lifestyle is “the patterns in which people live and spend time and money.” This definition is useful to marketers because it casts lifestyle in terms of consumption patterns. In other words, the definition is largely behavioral. By establishing reliable connections between the social, psychological, and the behavioral, many marketers have come to rely heavily on lifestyle information as an important component to predicting and building brand loyalty.

The Lifestyle Variables

To make lifestyle useful to marketing strategy, marketers have over time focused on a three dimensional conceptualization of lifestyle. The three sets of variables that operationalize lifestyle are activities, interests, and opinions. In other words, to marketers, lifestyle is comprised of what consumers do, what consumers like, and what consumers think. Among marketing professionals, activities interests, and opinions are frequently referred to as the “AIO variables.” Depending on the circumstances, marketers may wish to examine consumer interests by varying degrees of specificity. Other studies have shown a correlation between aggressiveness and the number of people told of a dissatisfying consumption experience. In other words, aggressive personality types tell more people about their unhappiness than nonaggressive types.

4.4 PSYCHOGRAPHIC SEGMENTATION

Psychographic segmentation is one which uses people's lifestyle, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioral segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behavior into accounts. These psychological aspects may be consumers' lifestyle, his social standing as well as his AIO. Here are some factors which help divide a population based on psychographic segmentation.

Lifestyle: There are various segments which have become popular in retail but one of the most popular segments is the lifestyle segment. Everyone has different clothing habits based on their lifestyle. The customer might be school going, college going, office going or other. Thus by lifestyle we mean, where does the customer stand in his life cycle. Similarly, the lifestyle of a rural area customer might be different from urban areas. That is how automobiles carry out promotions. More of BTL promotions are carried out in rural areas where rugged automobiles are more in demand and ATL promotions are carried out in urban areas where esteem and buying power plays a major role. Thus a consumer's lifestyle can put him in one separate segment as per the marketer.

Social class: Different consumers fall in different social classes. This depends mainly on their buying power. The buying power is affected by the background of the customer, his income as well as his spending habits. The customer will always buy to maintain his social class. Thus premium brands like Gucci, Longines or others always target the Sec A segments because they know that these would be the classes capable of buying their products. These brands have to keep in mind both Lifestyles as well as social class.

Personality: Personality in psychographic segmentation is dependent on both – lifestyle as well as social class. A person will have a rich personality only if he has high buying power as well as the taste in clothes to maintain such a lifestyle. Thus the term "Brand personality" came into effect. The reason for that is that different brands target different personalities.

4.5 APPLICATION OF PSYCHOGRAPHIC ANALYSIS VALS FRAMEWORK

VALS which is also known as values attitude and lifestyle is one of the primary ways to perform psychographic segmentation. All three terms are intangible in nature and therefore give an idea of the inert nature of the consumer. If you know what your consumer is thinking, you would know what kind of promotions or communications will attract him most.

VALS is different for different people. Let's take income as an example. If you are a person with high income your lifestyle would probably include habits of the SEC A class such as dining out of home frequently and that too in top class restaurants, wearing only

branded clothes and buying the best cars out there. Whereas if you are a middle class income group consumer, you would be more wary of spending money and would rather concentrate on savings.

So now how does VALS affect a marketer? Let's say you were a banker. What would you sell someone who had a high income lifestyle? You would sell them investment options and would also dedicate a relationship manager to take care of their needs. In fact, the bankers also have a term for high income individuals known as HNI – high networth individuals. But, if your lifestyle was that of a low income customer, you are more likely to be targeted for savings

History of the term VALS: The term was developed by Social scientist and futurist Arnold Mitchell. Arnold Mitchell actually developed the VALS framework to determine different classes of people who had varying values, attitudes and lifestyle. These people were determined by the resources they had at their disposal as well as the amount of primary innovation they could accept or create. Thus the people with low resources were low on innovation and the ones with higher resources were higher in innovation. The VALS framework was developed keeping a consumers resources as well as his capacity to accept innovation in mind. The X axis consisted of primary motivation and the Y axis consisted of resources such as income, education, confidence etc. Thus these two factors were determined to be critical to define the values attitude and lifestyle of any consumer.

Resources –Included resources available to an individual such as income, education, intelligence, emotional support, etc.

Primary motivation –Which determined what, actually drives the individual. Is it knowledge, the desire to achieve something or is it to be social.

After researching above 1500 consumers, Arnold Mitchell actually divided consumers into 9 different types based on the amount of resources they had as well as their capacity for primary motivation. These classes of consumers based on their VALS were.

Innovators: The class of consumer at the top of the VALS framework. They are characterized by High income and high resource individuals for whom independence is very important. They have their own individual taste in things and are motivated in achieving the finer things in life.

Thinkers: A well-educated professional is an excellent example of Thinkers in the VALS framework. These are the people who have high resources and are motivated by their knowledge. These are the rational decision making consumers and are well informed about

their surroundings. These consumers are likely to accept any social change because of their knowledge level.

Believers: The subtle difference between thinkers and believers is that thinkers make their own decisions whereas believers are more social in nature and hence also believe other consumers. They are characterized by lower resources and are less likely to accept innovation on their own. They are the best class of word of mouth consumers.

Achievers: The achievers are mainly motivated by achievements. These individuals want to excel at their job as well in their family. Thus they are more likely to purchase a brand which has shown its success over time. The achievers are said to be high resource consumers but at the same time, if any brand is rising, they are more likely to adopt that brand faster.

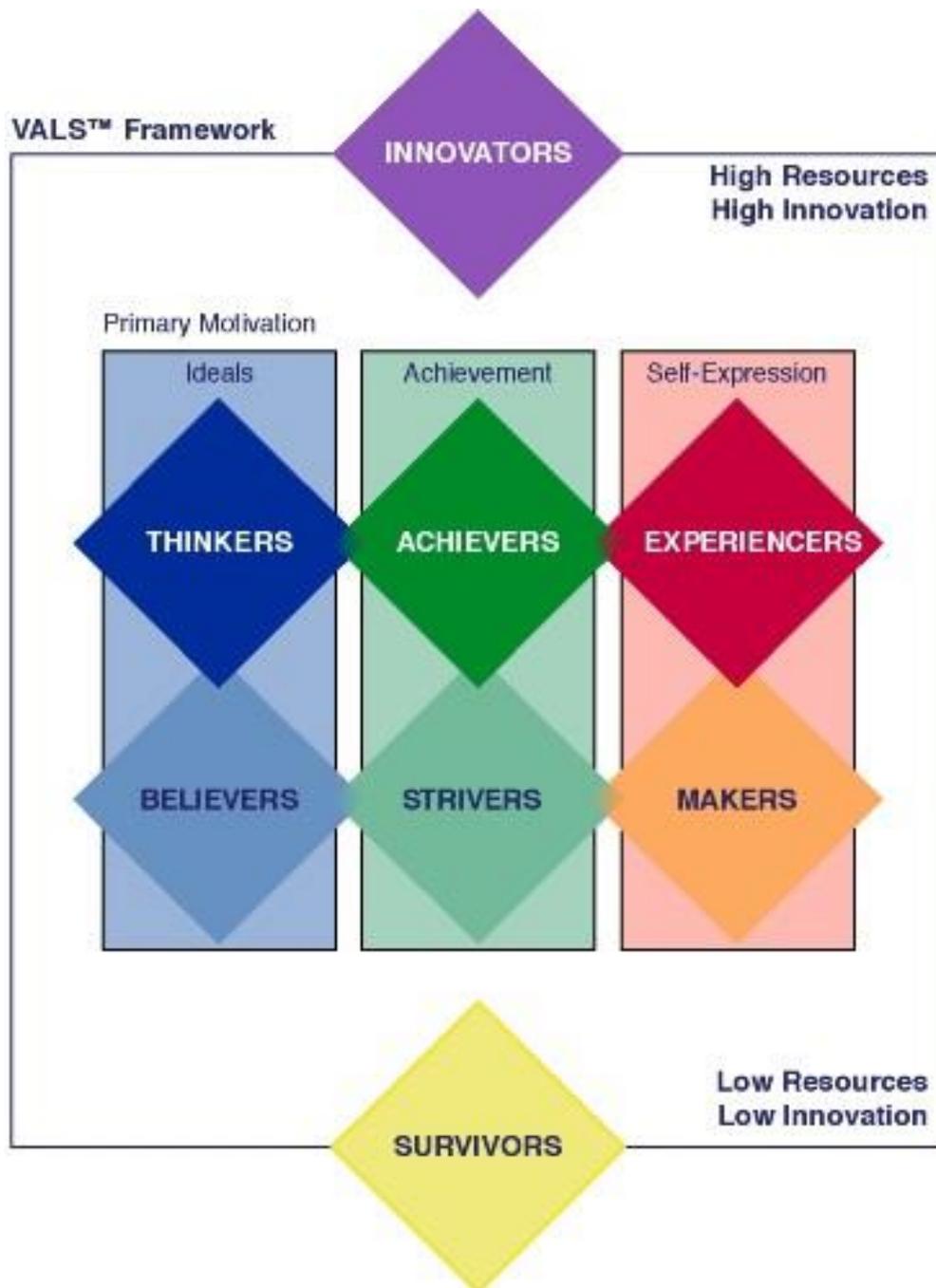
Strivers: Low resource consumer group which wants to reach some achievement are known as strivers. These customers do not have the resources to be an achiever. But as they have values similar to an achiever, they fall under the striver category. If a striver can gain the necessary resources such as a high income or social status then he can move on to becoming an achiever.

Experiencers: The groups of consumers who have high resources but also need a mode of self-expression are known as Experiencers. Mostly characterized by young adults, it consists of people who want to experience being different. This class of consumers is filled up with early adopters who spend heavily on food, clothing and other youthful products and services.

Makers: These are consumers who also want self-expression but they are limited by the number of resources they have. Thus they would be more focused towards building a better family rather than going out and actually spending higher amount of money. Making themselves into better individuals and families becomes a form of self-expression for the Makers.

Survivors: The class of consumers in the VALS framework with the least resources and therefore the least likely to adopt any innovation. As they are not likely to change their course of action regularly, they form into brand loyal customers. An example can include old age pension earners living alone for whom the basic necessities are important and they are least likely to concentrate on anything else.

Thus the VALS framework can be used primarily to classify consumers based on their



values, attitudes and lifestyle. Once the classification has been done, you know which types of customers you want to target. Depending on your target customers VALS, you can make up your marketing strategy and your promotional message such that it hits your audience at the right spot.

AIO FRAME WORK

AIO or Activities interests and opinions is one of the methods to carry out psychographic segmentation. AIO is mainly used to define an individual's psychographic profile. It tells a marketer of what a consumer likes, what are his interests and how does his thought process work. This is deduced through a series of questions asked by a market researcher which ultimately gives the consumers psychographic profile.

Activities: The way a person carries out his work or the type of hobbies he has tells a lot about a person. If he has a tough work and at the same time he is also involved in numerous sports then we have a highly active person in hand. Thus depending on the activities of an individual, we can determine what would be his travelling habits, his working habits, so on and so forth.

Interests: What is the consumer interested in? Is he interested in food, technology products, fashion or recreation? A consumers interest also help marketers as they help him to decide on the right marketing message which needs to be communicated to the prospect consumer. If you have a consumer who is interested in technology products, it's useless to pitch recreation plans to him (he might use it, but he is not your primary target).

Opinions: Ask any political party or movie marketer and he will say that audience opinion is one of the topmost factors affecting the rise or fall of a political party or a movie. Opinions do matter. And especially in the age of internet, opinions spread fast. Nowadays there are agencies taking care of a brand online such that they can immediately give a feedback of what the public opinion about a brand / product is. The management can accordingly make the changes. A principle component factor analysis with varimax rotation was applied to determine the factor structure of consumers' life-orientation of Chinese customers. It is identified as.

Fashion-oriented consumers

They are fashion-oriented and like to keep up with latest fashion. They prefer fashionable to practical. They like to try new brands and new products. They are impulsive, affective and sociable, enjoy expressing their feeling in activities. For example, they like karaoke, drinking and chatting with friends, seeing films, eating at KFC or McDonald's, and longing for a romantic and comfortable life. They lack independence and are prone to be affected by other people's opinions. They prefer to be told what to do rather than take responsibility. They are satisfied with their current condition and don't want change. Although they like latest fashion, they are generally price-conscious. They like to bargain to get the

cheapest product. Therefore, they are more inclined to buy fake brand. They pay attention to advertisements and are easily swayed due to their impulsive and fashion-orientation.

Tradition-oriented consumers

They are fogyish and conservative. They don't like change and fashion. They are much more practical compared to fashion-oriented consumers. For example, they seldom go to cinema or KTV. They are not used to the computer and Internet. They emphasize job security rather than high income. They are family-oriented, enjoying the family and believe that family is more important than their career. Watching TV at home is their main leisure pastime. They are price-conscious. They usually buy the cheapest product and watch their budget carefully. They prefer to buy domestic brands due to lower price compared to foreign brands. They are usually rational and seldom buy without consideration. They don't pay much attention to advertisements and are not easily swayed by them.

Achievement-oriented consumers

They are achievement-oriented. They place a lot of value on their personal achievement, hoping to get to the very top in their career. They are full of self-confidence and pursue a life of challenge, novelty and change. They are generally rational, decisive and independent. They want to be seen as individual. They are sociable but not easily affected by other people's opinions. They like fashion and sometimes may buy impulsively. Their interests are aboard but they are not as enthusiastic for entertainment as are fashion-oriented consumers. They like to take responsibility and pay attention to social problems such as environment protection. They prefer high quality products and famous brands. Compared with other life-orientation consumers, they are not as concerned about the price of the product.

Moderate-orientated consumers

They are deeply impacted by Chinese traditional culture with moderate attitudes towards different affairs. They normally express neither very positive nor very negative attitudes. They represent the largest of the life-orientation segments of Chinese consumers.

YOUNG RUBICAM 4Cs FRAMEWORK

Young & Rubicam have a consumer segmentation specially designed for gaining insight into consumer values connections. It's called 4Cs – an abbreviation of Cross-Cultural Consumer Characterisation. Cross-Cultural because these target values are found in all countries, though their expression may vary. 4Cs brings each value to life as a characterisation of a person that unfolds into an entire subjective reality, a lifestyle, a way of making choices.

In addition to Status, Security, Control, Discovery and Enlightenment - the five motivations that play such a large role in advertising, there are also two that are rarely targeted commercially - Survival and Escape. Young and Rubicam developed a theory. It looked at the brands people purchased/used and how these people thought about them. It helped to understand the positive and negative aspects of these brands. There are seven types of people in this which depends on their core motivation. These are:

The Explorer: People who need for change, discovery and want to be different.

The Aspirer: Look at how others view them, try products for the visual looks and focus on their status.

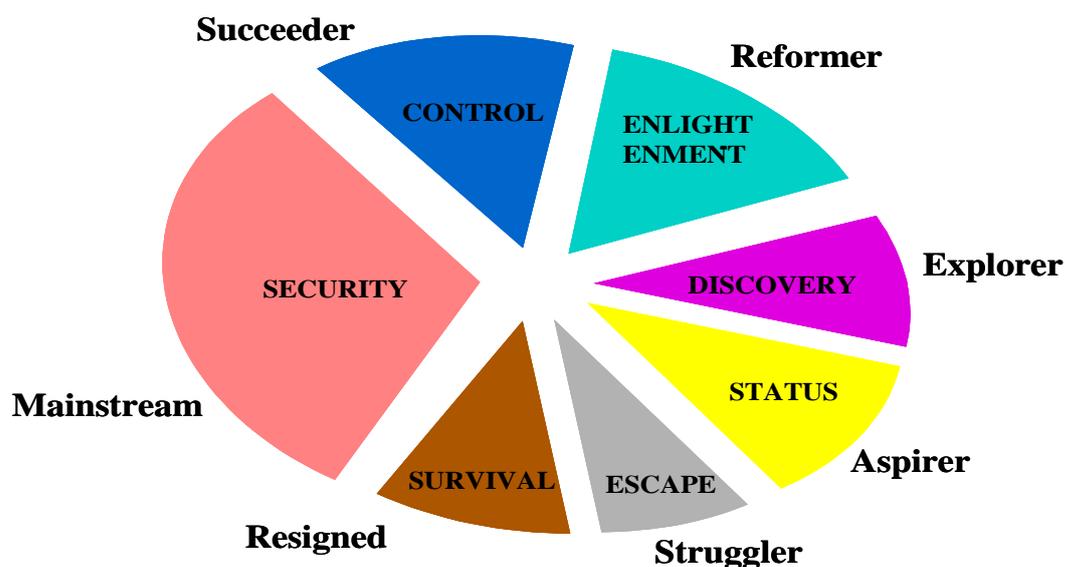
The Succeeded: Strong goals and tend to be responsible. They have an aggressive attitude to life as they look for control.

The Reformer: Intellectual and are tolerant. They don't buy products just because they're new. Their core is enlightenment.

The Mainstream: Fit in with the changes of society. Stick with value for money, what they know and save money. They strive for security.

The Struggler: The strugglers have the 'You Only Live Once' approach. They focus on the present and tend not to work hard or have any valuable skills. They consume alcohol, junk food and focus on brand choices. They seek escape.

The Resigned: The older generation with unchanging values. Stick to what they're familiar with and tend not to change with society as they stick with older and more nostalgic values.



4.6 SUMMARY

By way of conclusion, you should note that researching lifestyle connections to social class, reference groups, and personality can be difficult and time consuming. Quick, easily applied, and valid questionnaire items do not exist for all of these variables because of their complexity and somewhat enigmatic nature. Often, marketers simply rely on intuition when utilizing lifestyle variables and their predictors. While the intuitive approach can be effective and certainly inexpensive, marketers should make certain that they understand the dimensions of the lifestyle variables and not overlook important possibilities.

4.7 ADDITIONAL READING

1. Solomon, Michael R. (2002), *Consumer Behavior: Buying, Having, and Being*. Upper Saddle River, NJ: Prentice Hall.
2. Engel, James F., Roger D. Blackwell, and David T. Kollat (1978), *Consumer Behavior*. New York: Dryden Press.

4.8 SELF ASSESSMENT QUESTIONS

1. Which of the following is part of the demographic segmentation for consumer markets?
 - Age
 - Social grade
 - Lifestyle
 - Personality
2. Which of the following statements is true?
 - Psychographic segmentation divides buyers into groups based on their knowledge, attitude or responses to a product
 - Target market; a set of buyers sharing common needs or characteristics that the company decides to serve
 - Demographic segmentation divides buyers into different groups based on a social grade, lifestyle or personality characteristics
 - None of the above.

5

ATTITUDE

STRUCTURE

- 5.1 Introduction
- 5.2 Definition and Meaning of Consumer Attitude
- 5.3 Nature and component of Attitudes
- 5.4 Factors Involved in formation of Attitudes
- 5.5 Theories of Attitudes
- 5.6 Models of Attitude
- 5.7 Measurement of Attitudes
- 5.8 Summary
- 5.9 Additional Reading
- 5.10 Self-Assessment Questions

OBJECTIVES

1. Understand The meaning of Attitude
2. Differentiate between Attitude opinion and belief

5.1 INTRODUCTION

An individual with a positive attitude towards a product/service offering is more likely to make a purchase; this makes the study of consumer attitudes highly important for a marketer. An attitude may be defined as a feeling of favorableness or unfavorableness that an individual has towards an object (be it a person, thing or situation). It is a learned predisposition to exhibit and act based on evaluation resulting in a feeling of like or dislike towards and object. In terms of consumer behavior, consumer attitudes may be defined as an inner feeling of favorableness or unfavorableness towards a product or service offering and the 4Ps. As Schiffman has defined, “Attitudes are an expression of inner feelings that reflect whether a person is favorably or unfavorably predisposed to some "object" (e.g., a brand, a service, or a retail establishment) and “Attitude formation”, in turn, is the process by which individuals form feelings or opinions toward other people, products, ideas, activities, and other objects in their environment. In terms of consumer behavior, an attitude is reflective of a consistent favorable or unfavorable feeling that a consumer or a prospect forms as a result

of an evaluation about an object; the object being, a product/service offering, brand, price, store and dealer, salesperson, advertisement, promotion etc. As Schiffman puts it, it is “a learned predisposition to behave in a consistently favorable or unfavorable way based on feelings and opinions that result from an evaluation of knowledge about the object”. It is noteworthy that attitudes cannot be directly observed, the reason being that they are impacted by psychographics like motivation, perception, and learning. Attitudes can only be inferred from what people say or what they do and how they behave.

5.2 DEFINITION OF ATTITUDES

The attitude is the way a person, behaviour that employs an individual to make things. In this sense, can say that it is his way of being or act, behavior also can be considered some form of social motivation - in nature, therefore, secondary, against biological motivation, type primary-which promotes and guides the action towards specific objectives and goals. Eiser defines the attitude in the following way: predisposition learned to respond in a consistent manner to a social object. In Social Psychology, attitudes constitute valuable elements for the prediction of behavior. For the same author of the fish, the attitude refers to a feeling for or against a social object, which can be a person, a social fact, or any product of human activity. Based on various definitions of attitudes, Rodríguez defined attitude as a lasting organization's beliefs and cognitions in general, endowed with an emotional charge in favor or against a defined object, which predisposes to a consistent action with cognitions and emotions relating to that object. Attitudes are considered intercurrent variables, not be directly observable but subject to observable inferences.

The attitude has also been defined as a State of the nervous and mental disposition that is organized from the experiences and guides or directs the response of a subject to certain events. Therefore, the attitude is rather a social motivation rather than a biological motivation. From experience, people acquire a certain predisposition that allows them to respond to stimuli. An attitude is the way in which an individual actively adapts to its environment and is the consequence of a process of cognitive, affective and behavioural. Therefore, social psychology is responsible for studying the attitudes of humans to predict possible behaviors. When the attitudes of an individual are observed, it is feasible to foresee its mode of action.

Attitudes meet various functions in social life. It can be the case of someone who adopts a defensive attitude, and thus predisposing in a particular way before the interactions. Attitude can also be oriented to adaptation, in an attempt to minimize conflicts.

A *disinterested attitude* is that leads a person keep in mind another not as a means to achieve something, but as an end to achieve a self-serving.

The *manipulative attitude* is what a person exerts to achieve a personal goal and takes into account the other as a medium, giving sufficient attention to achieve his goal.

5.3 NATURE OF ATTITUDE

Consumer attitude can be better explained by understanding the nature and characteristics of attitude. Attitudes are composed of three components, viz, knowledge or cognitive component, a feeling and affect component and a behavioral and conative component. In terms of consumer learning, the attitude would express a consumer's feeling of like or dislike about a product or service offering and the marketing mix. The knowledge component is reflected in the learned knowledge that a consumer obtains from his interaction with others as well as his own experiences. The feeling component is reflected in his evaluation, and the resultant feeling of favorableness and unfavorableness. The behavioral component is reflected in the predisposition to act (purchase) based on the evaluation. Based on this explanation, the nature of attitudes can be elaborated as follows:

1. Attitudes are directed towards an object (product/service offering, price, store, dealer, promotion, advertisement etc.) about which a consumer has feelings and beliefs.
2. Attitudes have a direction; they could be positive or negative. A consumer could possess feelings of like/dislike, favorableness and unfavorableness towards a product or service as well as the mix. They vary in degrees and intensity, and can fall anywhere along a continuum from very favorable to very unfavorable.
3. Attitudes are consistent in nature, particularly with respect to the third component, i.e. behavior. Consumers are consistent with respect to their behavior. However, they are not entirely permanent and may change if the cognitive or the component is changed. This implies that if the consumer witnesses new experience or is exposed to new information about product/service offering and the mix (cognition), and) feelings are changed from dislike to like (affect), attitudes towards the offering and the mix can undergo change. In other words, while attitudes are stable and do not change frequently, they can be changed if something is done to change them.
4. Attitudes are a learned predisposition. Attitudes are learned; they are formed as a result of i) self-experiences with the product/service offering and the mix; ii) interaction with other people, be it family, friends, peers and colleagues; iii) information obtained from the marketer through promotion particularly advertisements as well as dealers and salespeople.

Attitude formation as a process is impacted by needs and motivation, perception as well as learning.

5. Attitudes cannot be observed directly. While attitudes are comprised of three components, behavior is just one of them. It is only this component that can be seen; the cognitive and affect components cannot be seen. Thus it is said that attitudes cannot be seen; they can only be inferred from the manner in which an individual behaves. Thus, we can infer that a person who buys Colgate Total toothpaste and disregards Pepsodent has a positive attitude towards Colgate.

6. While attitudes can be inferred from our behavior, it is not synonymous to behavior. It has two other components, and reflects a learned predisposition to act favorable or unfavorable towards a product and service offering and the mix.

7. Attitudes are situation specific; they occur within a situation. Sometimes depending upon the situation, a consumer may exhibit a behavior that may be inconsistent with his/her attitude. He may prefer to buy Pepsodent over Colgate because the former is on a sales promotion and gets him a free toothbrush.

(i) **Emotional:** Emotional components include the feelings of a person about and object. These feeling could be positive, negative or neutral. While customer service representative displays positive feelings, a police officer or a bill collector would exhibit negative feelings. Similarly while discharging administrative duties public servants are required to show neutral feelings.

(ii) **Informational:** The beliefs and information that the individual has about the object are the informational component of attitude. Here it makes little difference if the information is correct or incorrect.

(iii) **Behavioral:** This component of attitude consists of a tendency of an individual to behave in a particular way towards and object. Only this component of attitude is visible as the other two can only be inferred.

Functions of Model

Apart from helping a consumer make evaluations about a product/service offering ending up in purchase decisions (to buy/not to buy), attitudes play other functions as well. They perform four basic functions, viz., utilitarian function, ego defensive function, value expressive function, and knowledge function. The four functions are not mutually exclusive. In fact, they are related to each other and consumer attitudes are illustrative of a combination of functions.

- a) **Utilitarian function:** Consumers form positive attitudes towards product/service offerings because they provide a utility, in other words, they provide a rewarding experience through the benefits that they provide. Consumers learn to relate a reward with the use of the offering. On the other hand if they do not offer a rewarding experience, consumers form a negative attitude towards such an offering.
- b) **Ego defensive function:** Consumers form attitudes as they help defend their ego, self-image and self-concept. If a consumer is high on ethnocentrism, and patronizes Indian products, he would have a positive attitude towards Indian brands. He would speak for and promote such brands even if he knows that a foreign made product provides better value. Attitudes are formed to protect the ego.
- c) **Value expressive function:** Positive attitudes are formed when a product or service expresses a person's values and lifestyle, personality and self-image, and self-concept.
This is because attitudes provide people with a basis for expressing their values. In cases where there is a mismatch between the product image and a consumer's self-image, a negative attitude is developed. Attitudes are a reflection of value.
- d) **Knowledge function:** Attitudes are formed when consumers want to reaffirm their knowledge base, to finally help them simplify purchase decision making. If a consumer thinks positive about a brand, it helps reaffirm his opinion, and makes decision making simpler and faster. An attitude helps in decision making.

5.4FACTORS INVOLVED IN FORMATION OF ATTITUDE

The factors which lead to development of attitudes are: a. Family b. Peers c. conditioning d. Social adjustment functions e. direct instruction f. Modeling g. Satisfaction of wants and h. Prejudices.

Family:Family is the most powerful source for formation of attitudes. The parents, siblings provide information about various things.Attitudes developed by an individual, whether positive or negative are the result of family influence, are very powerful and difficult to undo.

Peers:As the individual develops, he comes in contact with outer world and peers in first place. Peers include same age friends, neighbors, classmates, etc. The child tries to internalise the attitudes of these people.

Conditioning: We are conditioned or adjusted to a certain set up of people, situation, etc., we will be influenced by that. Hence, our associations lead to develop attitudes. Many times the kind of reinforcement we get from environment also leads to develop attitudes.

On the other hand, negative reinforcement like punishment, teasing, criticizing, troubling may lead to develop negative attitude. Examples: when a patient's life is saved by a particular hospital at critical moments, he will develop a favourable attitude about that hospital (classical conditioning). Similarly, in instrumental conditioning, reward consequences of any behaviour will shape our attitude. For example, if you express an attitude to a friend, who then reinforce your behaviour in the form of smiling, your attitude is likely to be strengthened, otherwise gets weakened.

Social adjustment functions: This is otherwise called balance theory. Every society has majority of people who prefer to lead a harmonious life. They try to avoid unnecessary friction of conflicts with people. Naturally, they are inclined to develop positive attitudes towards most of the people and issues. Our attitudes may facilitate and maintain our relationships with members of positively valued groups. Usually we want to go with significant others to us, and rebel against those unwanted.

Direct instruction: Sometimes direct instruction can influence attitude formation. For example, somebody gives information about a hair dye or usefulness of some fruit, we develop an attitude about that product, may be positive or negative.

Modeling: This has been influential in developing attitudes toward a wide range of issues from alcohol to various kinds of dress, shoes, etc.

Satisfaction of wants: Individual develops favorable attitudes towards those people and objects which satisfy his wants and unfavorable attitudes towards those who do not satisfy.

Prejudices: Prejudices are preconceived ideas or judgments where one develops some attitudes on other people, objects, etc., without proper information.

5.5 THEORIES OF ATTITUDE

Several studies have been conducted to study and research upon the dynamics underlying attitudes, their formation and change as well as their relationship with acts of behavior. The focus of the study has basically been intended to understand the formation of attitudes, so as to be able to predict acts of behavior, and influence them. Researchers have proposed a number of models that identify the underlying dimensions of an attitude and

explain or predict behavior. Among the various models, the more researched upon and commonly used ones are:

The tri-component attitude model:

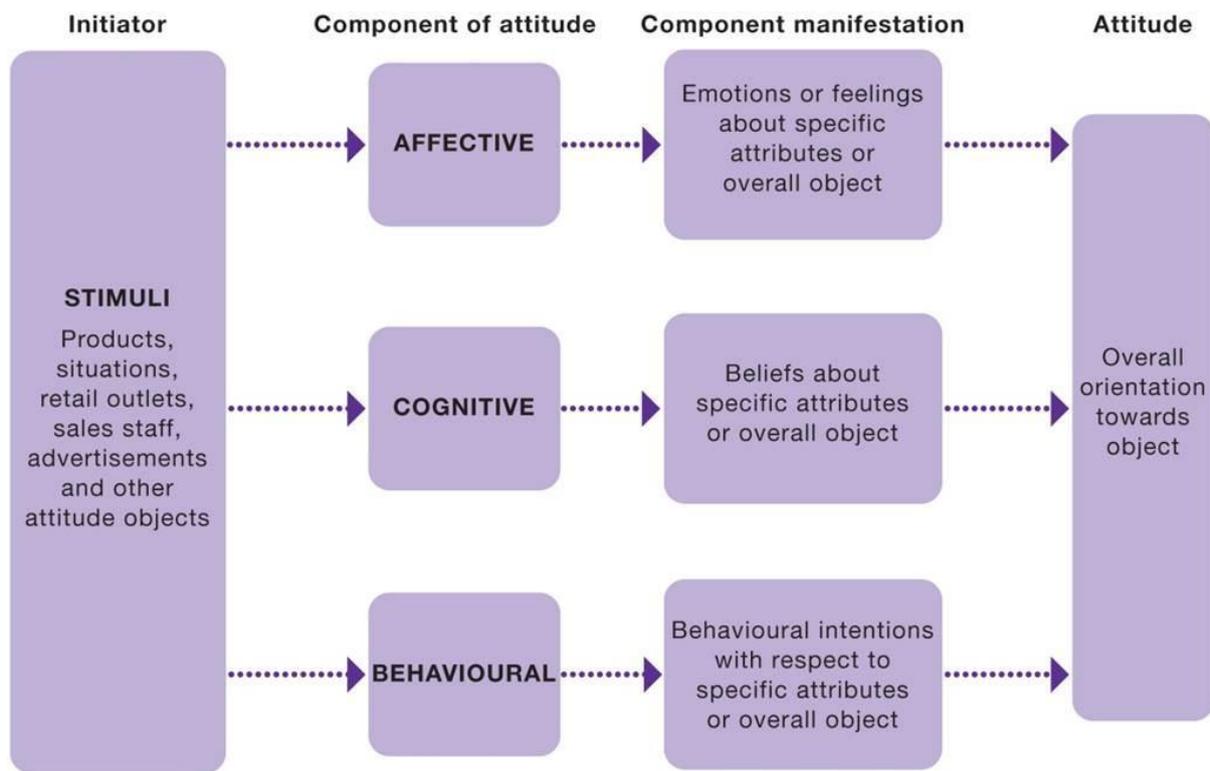
As the name suggest, the tri-component attitude model states that attitudes are composed of three components, viz., a knowledge (cognitive) component, feeling and emotional (affect) component and the action (conative) component.

The knowledge or the cognitive component comprises the cognitive processes that lead to the formation of attitudes. In terms of marketing, the knowledge or cognitive component of the tri-component model consists of consumers' knowledge about the products/service offering and the marketing mix. Consumer attitudes are formed on the basis of experiences as well as information received from personal (WOM, family, friends, peers etc.) as well as impersonal (marketer's sources) sources of information that are retained in one's memory. These get shaped by beliefs and opinions, where the consumer begins to perceive that the attitude object (person, situation or thing) possesses certain attributes and acts of behavior would lead to outcomes. The beliefs and opinions get repeatedly reinforced, and finally give rise to attitudes. This knowledge component leads to the emotional component.

The feeling or the affect component comprises the emotional component of attitudes. In fact, this is understood to be the attitude itself, as it depicts emotional states that are positive, neutral or negative. In marketing terms, it refers to a consumer's feelings about a product/service offering and the marketing mix. These emotions could relate to an attribute or the overall object. It is evaluative in nature and would vary on a continuum as like or dislike favorableness or favorableness. It manifests itself through feelings and resultant expressions like happiness, sadness, anger, surprise etc., and are indicative of consumer reaction towards the offering and the mix, which subsequently affects the purchase decision making as well as the purchase process. Such reactions and resultant states also get stored in our memory. Their retrieval, recall and recollection also impacts future decision making. The behavioral or the conative component of attitudes depicts the outcome of an attitude. As attitudes are formed out of psychographic components, they cannot be seen. The first two components, knowledge and feeling are not expressive or illustrative of attitudes. It is only this third component through which attitudes can be inferred.

The conative component, is indicative of an individual's tendency to behave [act or not to act (to buy or not to buy)] in a particular manner with respect to the attitude object (product/service offering, brand etc.).As per the model, the knowledge and the feeling

component cannot be seen, they can only be inferred; it is only the behavioral component which can be observed.



Tri-component Attitude Model

The multi attribute attitude models:

The multi attribute attitude models state that a consumer's attitude towards an attitude object (product/service offering, brand, elements of the marketing mix) is a function of a consumer's perception and belief of the key attributes as well as his assessment of the key attributes. The multi-attribute models have been variedly studied and numerous variations have been proposed by various researchers. Of these, the most famous of the models are those that have been proposed by Fishbein. Martin Fishbein and his associates have proposed a series of models like

- a) the attitude-toward-object model,
- b) the attitude-toward-behavior model,
- c) the theory-of-reasoned-action model.

a) **The Attitude towards object model:** The attitude-toward-object model states that a consumer's attitudes towards a product/service offering or a brand, is a function of the presence or absence of certain attributes, and the corresponding evaluation. Attitude is

function of evaluation of product -specific beliefs and evaluations. In other words, while evaluating an offering, the consumer's attitude would be based on:

The overall evaluation of the relevance of each of these attributes in providing the necessary gains and benefits. For example, let us take the example of Complan as a health drink. A lady wants her children to grow faster, taller and healthier. She would have a positive attitude towards Complan, if it contains vitamins and minerals, and she gives value (importance) to such vitamins and minerals.

The model is depicted in the form of the following equation:

$$\text{Attitude}_o = \sum_{i=1}^n b_i e_i$$

Where Attitude_o = the overall affect for or against the object b_i = the strength of the belief that the object contains the i^{th} attribute

(e.g., the likelihood that Complan is a nutritious health drink with vitamins and minerals) e_i = the evaluative criteria associated with the i^{th} attribute

(e.g., how "good" or "bad" is a nutritious health drink with vitamins and minerals) Σ is indicative of the n salient attributes over which the b_i , and e_i , combinations are summated.

Thus, consumers would tend to have favorable attitudes toward such offerings and/or brands that they have sufficient amount of attributes that are deemed important and evaluated as positive. On the other hand, they would have unfavorable attitudes towards offerings and/or brands which do not have the desired attributes or have many negative attributes.

b) **The Attitude-towards-Behavior Model:** It focuses on the individual's acts of behavior towards the attitude object rather than mere affect or feeling towards the object. The premise is that a consumer may have positive feelings towards an attitude object, but he may have a negative attitude regarding his intention for buying such a product/service offering. Thus, a positive attitude towards the offering may not necessarily end up as an act of purchase. For example, let us take the example of a Philips Home Theatre. A consumer is aware that a Philips Home Theatre would have a bigger screen, and better audio visual effects. He would also be aware of the high price, and may decide against the act of purchase. Either he would not have the money or he may not think it wise to spend so much of money for a TV. Thus, while he has positive feelings and a favorable attitude towards the product offering, he does not have a positive feeling to indulge in the act of purchase.

$$\text{Attitude } o = \sum_{i=1}^n b_i e_i$$

Where Attitude o = the overall measure of affect for or against carrying out an act of behavior

b_i = the strength of the belief that an i^{th} action will lead to an outcome

(e.g., the purchase of a Home Theatre would lead to better audio visual impact) e_i = an evaluation of the i^{th} outcome

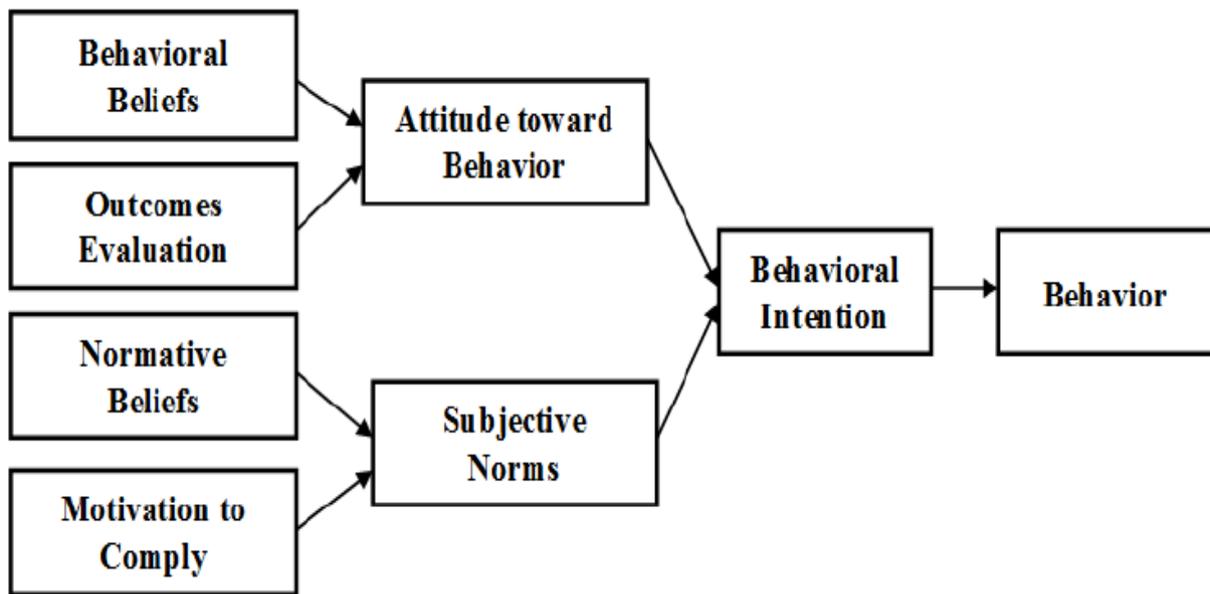
(e.g., the "favorableness" of a bigger screen, better audio visual effects, unfavorableness of the cost)

Σ is indicative that there are n salient outcomes over which the b and e combinations are summated. Consumers could tend to have favorable attitudes towards the product/service offering, but a negative attitude towards the act of purchase (behavior).

Theory of Reasoned Action Model: The theory of reasoned action model attempts to study the impact of

- i) instances of behavior,
- ii) subjective norms, on the tri-components that make up attitudes.

The model incorporates these two factors that act as moderators and finally have an effect on human attitudes. The figure depicts what is referred to as "reasoned action". The model can be explained working backwards from behavior (i.e. act of purchase of a product/service offering). The behavior of a consumer is based on his intention to act, i.e. overall favorability toward the purchase. There are certain factors that lead to an intention to act. These are the consumer's attitude toward behavior and the subjective norm. The consumers' attitude towards behavior includes the beliefs and attitudes about specific acts of behavior. Factors underlying attitude are i) beliefs that the behavior leads to certain outcomes; and ii) evaluation of the outcome.



Theory of Reasoned Action Model

The subjective norm on the other hand, refers to the norms that exist in the specific social context. Factors underlying the subjective norm are i) the beliefs that specific referents think as to whether the act of behavior should be performed or not; and ii) motivation to comply with the specific referents.

For example, Arjun, a young graduate wants to go to US to do his MBA. For this he needs to give his GMAT.

1. Behavior: Study hard for GMAT.
2. Intention: Arjun decides that he would study hard for GMAT examination.

Intention is impacted by:

- a) Consumers attitude towards behavior: Arjun has a positive attitude towards studying hard.
- b) Subjective norms: Arjun's parents approve of his decision to go abroad for further studies.

Consumers attitude towards behavior is impacted by:

- a) Beliefs that the behavior leads to certain outcomes: Arjun believes that if he studies hard, he will be able to get a good score at GMAT.
- b) Evaluation of the outcome: A good GMAT score would get him an admission to a good business school.

Subjective norms are impacted by:

- i) Beliefs those specific referents think as to whether the act of behavior should be performed or not: Arjun's parents also think that he should study hard.
- ii) Motivation to comply with the specific referents: Arjun wants to fulfil his parents' wishes.

The behavior of a consumer is based on his intention to act, which is moderated by the attitude towards behavior and the subjective norms. These are further impacted by underlying factors. Thus, the theory of reasoned action is illustrative of attitude components that are interrelated to each other. Intention precedes actual behavior; beliefs and attitudes as well as subjective norms precede intention; the theory emphasizes that attitudes are linked to behavior indirectly, via intention.

The Theory of Trying to Consume:

The theory of trying to consume focuses on a purchase situation where the action or act of behavior (in terms of actual purchase), is not certain and may even be sometime in future. As per this theory, the action or act of behavior is directed towards a goal (something that the consumer is planning to and/or attempting do in future). In such processes of trying the resultant outcome (in terms of purchase, possession and use) cannot be predicted for certainty.

The theory reflects the consumer's attempts at consumption, which get impeded by personal and environmental impediments, thus preventing the action (act of purchase) from occurring. Personal impediments would occur when the person faces an approach avoidance conflict, i.e. he desires a goal that also has a negative element associated along with it; for example, a lady likes to eat chocolate cake, but that also has a lot of calories that would lead to weight gain. Environmental impediments are said to occur when forces in the environment prevent an action from occurring; for example, a person desires to eat at a particular restaurant, but as he goes there, he finds no place to sit and eat; it is too crowded.

The theory of trying to consume replaces behavior (as proposed by Fishbein in the theory of reasoned action model) by trying to behave. Trying to behave or accomplish a goal is preceded by intention to try, which is determined by attitude toward trying and social norms toward trying. The attitude toward trying is influenced by the individual consumer's.

- (1) attitude toward success and expectations of success.
- (2) attitude toward failure and expectations of failure.
- (3) attitude toward process.

The attitude towards the process refers to an individual's assessment of how the act of trying to do something makes him feel, irrespective of the result or the outcome.

Moving backwards, act of trying to behave is impacted by

- a) intention to try
- b) frequency of past trying.

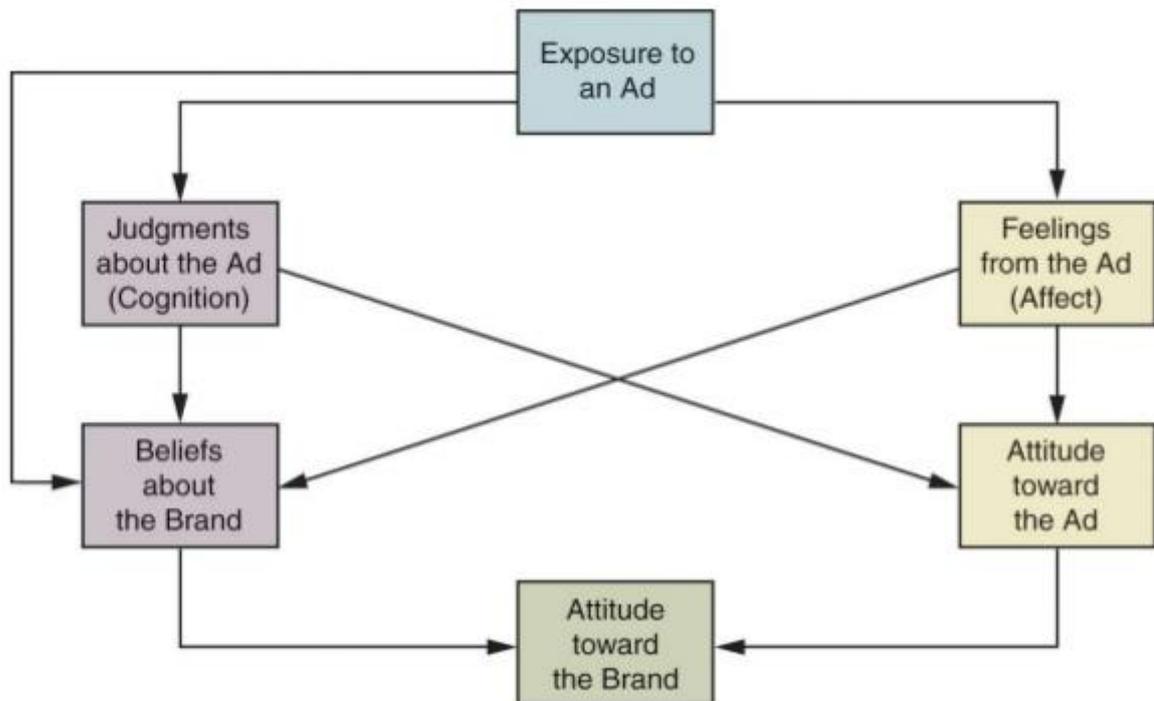
c) recency of past trying.

Intention to try is impacted by a) attitude towards trying, b) frequency of past trying, and c) social norm towards trying. Attitude towards trying is impacted by a) attitude towards success, failure and process, and b) expectation towards success and failure. Each of the attitudes (i.e., attitude towards success, failure and process), are determined by the summation of the “product” of the consequence likelihood and the consequence evaluations.

The Attitude towards the Ad Model:

This model lays emphasis on the impact of an advertisement, either in print or in audio-visual on the formation of consumer attitudes towards product and service offerings and or brands. Once exposed to an advertisement, a consumer forms the cognition (knowledge) and the affect (feeling) components of the attitude; it leads to judgments about the Ad(cognition) and feelings from the Ad (affect).The cognitive component leads to belief about the brand as well as attitude towards the ad. The affect component also leads to belief about the brand as well as attitude towards the ad. Thus, both the cognition and the affect component affect the consumer's attitude toward the ad and beliefs about the brand. A mere exposure to the ad can also lead to belief about the brand. Finally, the belief about the brand as well as attitude towards the ad leads to the development of an attitude towards the brand. The theory behind the model states that consumers form judgments and feelings as a result of exposure to an advertisement. Not only does a consumer form attitudes towards the advertisement, he or she also forms an opinion towards the brand. Research has shown that the model holds good more for new product and service offerings than or existing ones. The ad helps create an attitude towards the brand and helps elicit a trial. Thus marketers need to be careful while formulating ads especially for innovative products and services and for new brands. Research has also shown that irrespective levels of consumer involvement, whether high or low, both the central (the message content) and the peripheral (the context), influence the formation of beliefs and attitudes about the brand, leading finally to the attitude towards the brand. These findings have implications for marketers.

A Conception of the Relationship Among Elements in an Attitude-Toward-the-Ad Model



17

5.7 MEASUREMENT OF ATTITUDE

1. Method of Equal Appearing Interval:

Developed by L.L. Thurstone and Chave (1929) it is the earliest technique of attitude measurement. This technique of equal appearing interval used in the scaling of psychophysical dimensions was used by Thurstone for the construction of attitude scales to measure attitude towards various subjects or towards any object. Thurstone's scale has been accepted and used widely by various researches for attitude measurement

The scale is prepared in the following manner:

1. A large number of simple easily understood statements or propositions showing a favorable or unfavorable attitude towards the attitudinal object are collected.
2. Judges are asked to sort out in a desired number of steps on a scale on the basis of the degree to which they express favorable or unfavorable attitudes towards the object. All those statements having insufficient agreement are rejected. Only those statements having considerable agreement among the judges relating to their position on the scale are retained in the final scale.

3. Scale scoring is done on the basis of median value of judgments. Final selection is made on the basis of equal appearing intervals.

In Thurstone's scale there are eleven categories where judges have to put their judgment in equal distances so as to fit the eleven categories. The low values indicate a favorable attitude towards the attitudinal object and the high values suggest an unfavorable attitude. Bogardus did not take care to ensure the quality of units. This was considered to be a serious defect in his scale. To eliminate this drawback, Thurstone took eleven pieces of equal appearing intervals. The eleven lines or equally appearing intervals are in fact the units of Thurstone's scale. His scale is said to be a rational scale since he attempted to achieve equality of units by requiring the judges to place items in eleven lines at equal appearing intervals.

Defects of Thurstone's Scale:

The probability of the attitude of judges influencing their placement of judgments in various positions on the scale cannot be ruled out. In fact, Hovland and Sherif have found proofs in this regard in a particular study. Thurstone has attempted to account for zero point in a scale, but has not been able to meet the requirements satisfactorily. Edward points out that the items having the same scale value may have significantly a different discriminating value. In this technique, thus, the investigator is not able to select the most discriminating item among those having approximately the same scale values. This, in fact, will give a distorted picture of the attitude of the subject instead of measuring it accurately.

However, modern research has found out ways and means to overcome these shortcomings. Hence, in spite of the defects, Thurstone's scale demonstrates a technique to measure attitude in a reliable manner.

Method of Summated Rating:

Developed by Likert the attitude scale prepared by the method of summated rating has an entirely different approach. Likert is famous for constructing several attitude scales to measure attitude towards various complex issues, like Black and White Problem, imperialism and various other international problems.

The procedure of preparation of Likert's scale is given below briefly:

(i) A large number of statements and propositions are collected relating to the issue. These statements are then presented to a group of subjects to rate them into five categories.

Such as:

(a) Strongly approve-5

- (b) Approve-4
- (c) Undecided-3
- (d) Disapprove-2
- (e) Strongly disapprove-1

The 'S' is asked to give his score with regard to each statement on this basis of five point scale. Then, the total score for each individual subject for all the statement is calculated by summing up each individual response. Thereafter, inter correlating the scores of each item, with the total scores on all the items by the item analysis techniques, the most discriminating items are selected and eliminated.

Advantages of Likert's Scale:

The use of 'Item Analysis' in the construction of attitude scale is the most important feature of Likert's scale. In this scale, the individual scores are interpreted in terms of the scores obtained by a group of individual which is commonly done in a psychological test construction. Likert's scale is more pragmatic than Thurstone's scale. It is based on the selection of items in terms of how well they work. Likert did not depend only on the subjective judgments of the individuals, like Thurstone. He also constructed his scale on the basis of the inter correlation found between items and retained only those items having higher interrelationship. Likert's scale has got good amount of workability than Thurstone's. In this scale unique dimensionality is also not disturbed.

Defects:

- (i) No attempt has been made to ensure equality of unity in the Likert's scale. The scores obtained at the upper and lower end of the scale are usually more meaningful than the intermediate range of scores as the score making the neutral point is unknown.
- (ii) The minimum scores in the Likert's scale indicate a favourable attitude, while the maximum scores indicate an unfavourable attitude which is sometimes confusing.
- (iii) There is no determination of zero point in this scale.

In spite of these defects, Likert's scale has been widely used for the measurement of attitude in view of the application of item analysis technique for construction of attitude scale which is one of its major advantages over other scales.

Social Distance Scale:

The concept of social distance was given prominence by Katz and Allport under the guidance of Gallet and Bogardus. Bogardus was interested in studying racial attitudes, attitudes of people towards different races, towards different nationalities and comparing

them through his social distance scale. The procedure of the construction of the scale is as follows. The investigator first formulates various statements indicating different degrees of acceptance or rejection of the group. The 'S' has to indicate how close or how far away he is from the members of the other group. The distance measured by these statements are basically psychological. A favourable attitude is indicated by the closeness and an unfavourable attitude is indicated by distance. The greater is the distance, the greater is anti-attitude and the less is the distance the greater is the pro attitude. The psychological distance is progressively increased in the scale as one proceeds from the first to the last statement starting from close kinship by marriage to exclusion from the country.

In this manner, by the Bogardus scale attitude is measured towards different nationalities.

Criticisms:

As a method it has two defects:

- (1) It means merely temporary attitudes,
- (2) Bogardus did not make any attempt to ensure equality of units.

The differences between each of the degrees of intimacy are not recognisable. The psychological distance between relation in marriage and a club is much greater than that existing between club relations and neighbouring relations. The distance between two points in the scale, hence, is not equal or adequate and hence, lacks in dimension of units and exhaustiveness of the measuring index. Bogardus's scale simply measures the range and distribution of attitude and not its intensity.

Advantages:

This scale has been very widely and quite successfully applied in various studies of attitude measurement. The technique of construction of the scale is quite simple. The scale is used to compare different people's attitudes towards the same nationality or a single individual's attitude towards different nationalities. By this scale any kind of interpersonal likes and dislikes can be measured. Actually, many new scales have been developed being based on the Bogardus Social Distance Scale.

Cumulative Scaling Method:

Guttman's cumulative scaling method (1944) is devised to find out if the sets of statements and propositions used to measure attitudes can actually satisfy the necessary conditions of a particular type of scale. The main aim of this scaling technique is to determine whether the attitude in question is "scalable" or not. An attitude is said to be scalable when a major proportion of the population being measured responds to the scale in a consistent way.

When an item is endorsed by the endorsement of all other items that are less extreme and rejection of all those items that are more extreme, it indicates the criterion of consistency. In Guttman's scale, plotting of scale scores were made on the horizontal lines. Guttman's technique involves a 'Scalogram' device for ascertaining the degree of consistency that is present. According to Guttman, when significant consistency is shown by a set of items or propositions, the scale is unidimensional and hence, is expected to measure attitude reliably. But in the reverse case one has to infer that there is more than one dimension underlying the scale. At this point, by using this method of Guttman the offending items can be eliminated and the scale can be revised and corrected to meet this criterion of consistency. Guttman's scale helps in determining the zero point. It is also based on the criteria of unique dimensionality. Some have questioned the concept of equality of units and the basis of it. The limited practical usefulness of this technique has also been raised by Festinger (1947) who remarks "Limited experience with its use in public opinion research with civilian population has tended to show that it becomes an unwieldy instrument". But this criticism is also applicable to other methods.

The Scale Discriminating Technique:

This scale has been developed by Edwards and Kilpatrick. It is the synthesis of the various earlier techniques. Like the other scales, a large number of dichotomous items are collected. Judges then group the items in categories as per their degree of favourableness. Others are discarded because of ambiguity. The retained items are then presented in a multiple choice form with six response categories starting from strongly agree to strongly disagree. Then, these statements are served to new groups of subjects. Their responses are scored individually to derive a total score for each person. Like the Likert Scale 'Item analysis' technique is applied on each item. The final scale consists of those items having good discriminating capacity. Then, the selected items are dichotomised and subjected to scaling as followed by Guttman.

It is a very laborious procedure and perhaps because of that the scale discrimination technique has not been used in a large scale in psychological researches for the measurement of attitude. So, the advantages and defects of scale are yet to be traced. Future research on this scale may throw light. Some other techniques of attitude measurement have been developed. We may discuss here Semantic differential Scaling method. This is constructed by Osgood, Suci and Tannenbaum (1957). This scale is used to obtain direct measures of the evaluation of an attitude object. The meaning of an object in this technique is rated on a series

of bipolar adjectives indicating that they are opposite to each other. For instance, nuclear disarmament might be rated along the following dimensions good-bad, attractive-non attractive, fair-unfair etc. Then each point is given a scale value to quantify a person's overall reaction to the attitudinal object. The virtue of such a technique is that it taps the respondents' general understanding of an attitudinal objects rather than specific aspects of this object.

5.8 SUMMARY

Attitudes are directed towards an object (product/service offering, price, store, dealer, promotion, advertisement etc.) about which a consumer has feelings and beliefs. Attitudes have a direction; they could be positive or negative. A consumer could possess feelings of like/dislike, favorableness and unfavorableness towards a product or service as well as the mix. They vary in degrees and intensity, and can fall anywhere along a continuum from very favorable to very unfavorable.

5.9 ADDITIONAL READING

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5.10 SELF-ASSESSMENT QUESTIONS

1. Define consumer attitude. Discuss the composition of an attitude.
2. Discuss the nature of consumer attitudes.

6

SOCIAL CLASS AND BUYING BEHAVIOR

STRUCTURE

- 6.1 Introduction
- 6.2 Definition and Meaning of Social Class
- 6.3 Measurement of social class
- 6.4 Characteristics features of social class
- 6.5 Lifestyle Profiles of the social class
- 6.6 Summary
- 6.7 Additional Reading
- 6.8 Self-assessment questions

OBJECTIVES

- Know the background of social class study.
- Understand the concept of social stratification.
- Comprehend the bases and forms of social stratification
- Understand Max Weber's scheme of social stratification
- Define social class
- Trace the characteristics of social class

6.1 INTRODUCTION

One of the factors that influence the awakening of consumer needs is membership in various social classes. Buyers often buy products similar to what their friends own. Therefore, it is important to study membership in social groups. The important thing to remember is that social class membership often determines when people buy products and what they buy. Marketers are therefore interested in understanding social class aspects for taking appropriate marketing decisions. In this unit we shall concentrate our discussion by three lessons on different aspects of social class and its effect on buyers' buying behavior. People in a particular society are divided into different distinct social classes. People are classified into social classes according to different characteristics. Consumption patterns vary with the change in social classes. For marketer, it is imperative to know each class behaves in terms of consumption behavior.

6.2 DEFINITION AND MEANING OF SOCIAL CLASS

In all societies some system of social stratification exists whereby the members of the society are differentiated. Throughout the world, inequality in social structure and position exist. Inequality found in societies that are claiming them classless. One should note that, every human society maintains a system of social stratification, or layering, through which

members are assigned ranks, grades, or positions. “Consumer Behavior”, mentioned that, the history of all hitherto existing society is the history of class struggles. There are have and have not, oppressors and oppressed, rich and poor, lord and serf. It means that rewards and responsibilities among people are not distributed equally. This system is transmitted from one generation to the next by agents of socialization such as the family, educational institutions and religious institutions. Loudon and Bitta defined social stratification as “the general term whereby people in a society are ranked by other members of a society into higher and lower social positions, which produces a hierarchy of respect or prestige”. This stratification brings with its social inequality that is, persons in lower strata have fewer access to money, power, prestige and privilege. For example, secretaries are highly regarded and rewarded in our society, but ministerial staffs are not, even though both groups contribute to the wellbeing of public. There are two dimensions of social stratification-economic and noneconomic. It should be well understood, for example, that, income is not the only difference in the position of secretaries and staffs. Insights of economics can help us in understanding how different levels of income influence consumer behavior, but we must turn to sociology to better understand the impact of non-economic dimensions such as status. Analysis of the bases of social stratification and the resulting social groups within a culture or subculture can improve a marketer's ability to define and analyze target markets.

People may be placed on different positions on a continuum or a range; the continuum, in fact is divided into specific social classes, or strata. Thus, people in a society may be placed in different strata based on their status; each of these strata may be referred to as social class. Schiffman defines social class as “the division of /members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status”. Social class is measured in terms of status; a person belonging to a particular class is said to hold status similar to members of that class. So social class is defined in terms of the amount of status the members of a particular class relatively have, in comparison with members of other social classes. Broadly speaking, the stratification into varied social classes, is done on the bases on three factors, viz., wealth (economic assets) power (ability to exert influence over others) and prestige (recognition received). However, marketing academicians and researchers, as well as consumer researchers, define status in terms of demographical variables like income, occupation and education; in fact, the three are interrelated and thus, used in conjunction to

each other. While understanding buying patterns and consumption behavior, it is necessary to understand the dynamics of social class.

These are discussed as follows:

Hierarchical structure: Social class is hierarchical in nature. The social-class categories are ranked in a hierarchy that ranges from low to high. Based on education, occupation and income, the society is divided into various ranks, such that people in a particular rank are similar to others in the same rank and different across various ranks. So members of a particular social class view themselves as

a) Having a status similar to others in their own class

b) Having a status high or low than members of the higher or lower class.

Based on the social class, they view themselves equal to other (in the same social class), inferior to others (from higher social class), and superior to others (from lower social class).

The hierarchical structure holds relevance for a marketer.

- Marketers can use this as a basis to segment the market; the various strata provide a basis for market segmentation.
- When people are “other-directed” or susceptible to social influence, they would buy such products and services and/or brands that people from their respective social classes purchase. This is because they look for social approval. So they would purchase certain products and service offerings and/or brands because they are used and favored by members of their own class.
- People are class conscious and relate brands to their social class; thus, they would buy brands which they feel relate to their “class”, and would avoid brands that they relate to “lowerclass” products. There are social-class influences on the actual consumption of products.
- The higher social class or the upper social class also acts as reference groups, for people in the lower class. The latter aspire to emulate the former and desire buying products and brands which the former buy.

ii) Similarity of people within a social class: People within a social class are similar to each other. This similarity is not only witnessed in terms of their education, occupation and income, but also their thinking, values, norms, attitudes, lifestyle and behavioral patterns. There is similarity among members within each social class and dissimilarity with between social classes.

6.3 MEASUREMENT OF SOCIAL CLASS DIFFERENCE

It is found that, every member of a society holds one or more socially defined positions. These positions are known as statuses. We, in the society occupy more than status at the same time. A man, for example, may simultaneously be a son, a teacher, and a father. Among the statuses, one is likely to dominate the others at any particular time. This dominant status is known as 'master status'. An individual's master status may change several times over the course of his life.

The roles of these statuses vary, i.e. each status has its role. A role is a set of proper behaviors specified by culturally defined roles. Social stratification systems, which are enforced through the assignments of statuses and roles, may be classified as either open or closed to social mobility. Social mobility is the ability of a person or a category of people to move from one level to another within the system. In India, for example, Hindu society maintains a closed system of castes. Individuals born into a caste are expected to stay in it all their lives. On the other hand, the US is a more open society. An individual there is born into the strata that his parents occupy. But, he can move from one social stratum to another either through his own efforts or chance circumstances. Engel, Blackwell, and Miniard identified three major forms of social stratification. They are 'castes', 'estates', and "social class." Caste system is the older and traditional form of social stratification. Under the caste system, major emphasis is placed upon hereditary status. Large differences are found between highest and lowest castes in terms of power and status. The basis of the majority of the caste system is religion one that is found in India. Members of different castes have a limited level of interaction, and mobility between groups is very limited.

The estate system is also an older form of social stratification that was prevalent in medieval Europe. Under this form, rights and obligations of each group was clearly demarcated. This form was based on power and alliances. The contemporary form of social stratification is the class system. It is found in the majority of the present day industrialized societies. Since classes are considered the basis of social interaction and differences in consumption, it is important for marketers to understand different aspects of social classes.

It is now evident from this discussion that societies distribute its individuals into different social strata having different positions, duties, and roles to perform. How societies distribute their members into different social strata is a question. Mr. Max Weber developed a scheme which may be used to understand how people of a society are stratified into different groups. According to this scheme, a society may be stratified using six variables. They are:

(1) prestige (2) occupation (3) possessions (4) interaction (5) class consciousness and (6) value orientation.

Prestige: Not everyone in the society command same level of prestige. We hold different attitudes to individuals having different levels of prestige. In a particular society, some are found to command relatively more prestige than others, and depending on that they are parts of different social strata.

Occupation: Individuals' occupations vary as their prestige varies. Occupation may be considered the single best predictor of social strata that exist in a particular society. The job you do greatly affects your lifestyle, and is the single most important basis for according honor, prestige, and respect. Doctors in our country, for example, are accorded more respect and usually high financial reward.

Possessions: The material goods that people possess may be used as a variable in social stratification. According to the types and nature of people's material possession, a society may be classified into hierarchy of social strata.

Interaction: The kind of people with whom individuals meet and relate also is a variable using which a particular society may be stratified into different groups. Though it is one of the most important variables of stratifying societies, but it is very difficult to measure an individual's social interaction.

Class Consciousness: "Class consciousness refers to the level at which people are aware of themselves as belonging to a distinctive social grouping". Everyone in a particular society is not equally conscious of class differences. Those who are relatively conscious of class differences are more likely to fit in the upper strata of the society.

Value Orientation: Values are our ideas about what is correct and what is not by which we conduct ourselves. These are basically shared beliefs about how people should behave.

"When a group of people share a common set of abstract convictions that organize and relate a large number of specific attitudes, it is possible to categorize an individual in the group by the degree to which he or she possesses these values." One can use above six variables to stratify or classify a society into different groups. While using these variables in social stratification, one should remember that they (variable) are interrelated thus affecting each other. He should also bear in mind that, among the six variables, prestige is more dominant than others.

6.4 CHARACTERISTICS OF SOCIAL CLASS

Social classes have a number of characteristics. In the following sections we shall mention the important social class characteristics. The major social class characteristics are: they (1) are bounded, (2) are hierarchical, (3) are mutually exclusive, (4) are exhaustive, (5) are influential, (6) exhibit status, (7) multidimensional, (8) restrict behavior, (9) are homogeneous, and (10) are dynamic.

Let us now have a look at these characteristics in brief:

- **Social classes are bounded:** By bounded it is meant that there are clear breaks between each social class. This break separates one social class from another. Such a boundary clearly indicates who will be included and who will be not in a particular class.
 - **They are Hierarchical:** Social classes are ordered. It means that, they are positioned vertically. One social class precedes the other, and the individuals placed in different social classes have different statuses from high to low.
 - **Social Classes are Mutually Exclusive:** Social class system indicated that an individual can only belong one social class in a particular time period. It does not mean that movement between the classes is restricted. An individual can move from one class to another over time. But, generally, an individual is placed in one social class at a particular time.
 - **They are Exhaustive:** Social classes are exhaustive in the sense that everyone in the society must fit in some social class or other, i.e., an individual in a society cannot be classless. Even if one does not possess any material thing, he will be considered as member of a particular class.
 - **They are Influential:** Social classes are important determinants of consumer behavior. Variations in consumption of goods and services indicate that social classes are influential. But, the degree of such influence depends on an individual's class awareness and class consciousness.
 - **They Exhibit Status:** Status means one's position or rank in the social system as perceived by others. Whether an individual will assume high or low status depends on the class to which he belongs. Certain social class members assume higher status than members of other social classes. One's status within the class again depends on his personal characteristics. For example, all university professors do not enjoy the same status as their personal characteristics vary.
- Social Classes are Multidimensional:** Social classes are not based on one property or dimension. They are rather based on many, and, as a result they are termed as multidimensional. We do not classify people according to one criterion, such as income;

rather numbers of other criteria are used for social classification. Some of the other criteria as used in social classification are: influence, occupation, education, heredity, and living area.

- **They Restrict Behavior:** It is expected that members of a particular social class will interact with members of their class except few exceptions. People also feel comfortable interacting with people of the same class, mind and mentality. Such a uni-dimensional interaction restricts interpersonal communications about products, stores, and similar topics. People of upper class, for example, may talk about a particular product whose name is not even heard by the members of a lower class.

- **They are Homogeneous:** Individuals belonging to a particular social class will have similar attitudes, values, beliefs, interests, activities, lifestyles, and consumption behavior. Where they will differ from the members of others classes in these respects. This homogeneity among the members of a particular social class helps marketers segmenting markets effectively.

- **Social Classes are Dynamic:** The concept of social class is not a rigid one. By this we mean that, individual may move among different social classes over time- upward or downward. Again, status of one particular social class may also change over time as the society reassesses social class status. Air hostesses' status, for example, in our country has changed over time with the change in people's attitudes toward this profession. This change has brought change in their social class position.

6.5 LIFE STYLE PROFILES OF THE SOCIAL CLASSES

Consumer behaviorists and researchers have studied lifestyles of the community and made generalizations. Lifestyles have been assessed in terms of activities, interests and opinions (AIOs). They have been measured as a general measure as well as a specific measure. In terms of marketing, the general measure relates to the use of product and service offerings by people belonging to a social class. As a specific measure they relate to brands, whether economy, middle-range or premium. Thus, lifestyle analysis may be used as a general measure or as a specific measure.

The six commonly identified social classes are: (1) upper-upper; (2) lower-upper; (3) upper-middle; (4) lower-middle; (5) upper-lower; and (6) lower-lower. Marketers are particularly interested in social classes as the knowledge helps them formulating appropriate market segmentation, positioning, pricing, distribution, and communication strategies.

- **Upper-Upper Class:** The upper-upper class consists of people from old, wealthy families, often with inherited wealth for at least more than one generation. People of this group are

found to be very polished in their behavior. Members of this group often live in large homes in exclusive neighborhoods. They are found to exhibit a sense of social responsibility. They patronize fancy, expensive, and status shops. Though upper-upper class people buy expensive items, they do not conspicuously display their wealth and properties. People of this group constitute a very good market for antiques, art, expensive and rare jewelry, luxury travel, and uniquely designed products. While buying different items, they expect special services from sellers. Their incomes mostly come from inherited wealth. They are aristocratic and small in number, and are considered elite by others in the society. Their children attend private, expensive schools, and graduate from the best universities. They spend money in such a way that as if it is unimportant, but they do not show off. Upper-upper class people also provide leadership and funds for social activities. They are found to serve as trustees for hospitals, educational, social, charitable, and religious institutions.

• **Lower-Upper Class:** This group is similar to upper-upper class in costly homes in the best neighborhood and in lifestyles, but lacking in distinguished ancestry. Their behaviors are not as polished as those of upper-upper class people. In some cases their incomes average somewhat larger than families in the upper-upper class. But their wealth is newer and is not inherited. “This is newly rich class, composed of those who have recently arrived at their wealth and are not quite accepted by the upper-uppers. Founders of larger business, lawyers, and wealthy doctors fall in this class. They are found to imitate the gracious living of the upper-uppers. Members of the society term them as ‘new rich’ and the current generation’s new successful elite. The consumption pattern of this group is often more conspicuous. Their consumption pattern acts as a symbol of their social position. They are the major purchasers of larger homes, more expensive vacation, clothing, food, and furniture, as well as luxury cars. As their wealth is earned during their lifetimes, not of second or third generation wealth, they are not accepted in the upper-upper class.

Members of lowerupper class are ‘new rich’ and the current generation’s new successful elite.

Upper-middle class is termed as the ‘eyes and brains’ of the society.

The solid working people constitute lower-upper class.

School of Business

• **Upper-Middle Class:** Upper-middle class is composed of moderately successful businessmen and professionals and the owners of mediumsized companies. Upper-middle class people are usually highly educated and have a strong desire for achievement. They are

very career oriented, and give their children an environment so that they do well in their lives. Financially they are less well off than the uppermiddles. Most of the upper middles either lack lineage, or are not concerned much about it. Because of their educational attainments, they are often considered as the 'eyes and brains' of the society. They are respectable, achieving, solid citizens of high moral standards and personal integrity. Their incomes are basically derived not from invested wealth but from salaries. The positions of the upper-middles are achieved by their career orientation and occupation. They are involved in a broad range of social and cultural activities. The purchases of upper-middles are more conspicuous than those of upper class. They usually buy socially significant and status related items. They support social causes, live well and interact heavily with the members of their class. People of this class are concerned about the quality of life, and as a result they select homes and furnishings for entertaining and gracious living.

- **Lower-Middle Class:** Basically, white collar workers who earn respectable incomes and lead moderately comfortable lifestyles constitute this group. People of this class are found to be very careful in spending their money. Small businessmen, teachers, technicians, sales people, and, office workers usually belong to this class. This is a relatively large class in any society. People of this class are home and family oriented, morally serious, and religious oriented. They conform to the norms of the culture more than people of any other class. They try for respectability by doing the right thing and buying popular items. They save money to provide better education to their children, thus alleviating their social class. Since they have little confidence in their own tastes, they buy, in most of the cases, standardized products. They work more at their shopping than others and consider purchase decisions demanding and tedious. They are found to be highly price sensitive.

- **Lower-Upper Class:** This is the largest social class segment of many countries. The solid working people constitute this class. Members of this class seek security and protection of what they already have. They have less education, are lower paid, and work at semiskilled or unskilled jobs. They spend a large portion of their income on food and shelter. They are very much concerned with respectability and are closely tied to family for economic and emotional support. They are found to live in smaller houses and exhibit a routine life. Their purchase decisions are found to be impulsive in most of the times because of lack of self-confidence. They rely more on sales people and advertising. People of this class are least involved in civic activities and interact little with others in the society except members of their same class. They prefer to enjoy the pleasures of today rather than save for the future.

• **Lower-Lower Class:** This class consists of unskilled laborers, people in non-respectable occupation, unemployed people, and people who live on welfare. As they live below the poverty line, they have very limited income to support themselves. They tend to live on a day-to-day basis. People of this class are poorly educated, and live in substandard houses and neighborhoods. They lack an ambition or opportunity to improve their lot.

Most of the members of lower-lower class live below the poverty line.

Marketers make use of general lifestyles while making product decisions, whether related to the product itself, or price, place and promotion. This would include assessment of new product opportunities, the segmentation, targeting and positioning and all other decisions related to the marketing strategy. On the other hand, marketers make use of specific lifestyles while making decisions related to a brand, be it its positioning, pricing and any other decision related to brand management.

VALS (Values and Lifestyle): The VALS framework was developed over the 1970s by the California based consulting firm, SRI International. It was in the year 1978 that it was finally proposed by Arnold Mitchell. Derived from the theoretical base in the works of Maslow, the framework has been modified and reworked for greater reliability and validity of findings. While the original psychographic inventory was known as VALS, the modified version of the 1990s was called VALS 2. While VALS spoke of the various types of consumer segments, the VALS 2 was specific to measurement of consumer buying patterns.

According to the proponents, consumers could be of three kinds, viz., need-directed (these are consumers who make purchases based solely on their needs and wa inner need or inner beliefs). The framework provides valuable inputs to marketers especially in areas of promotion strategy, viz., message content and context, as well as choice of media.

The VALS framework illustrates a system for grouping of US adult consumers into various categories according to psychological and sociological criterion so as to understand and predict their behavior in the purchase decision making process. Based on the responses of the population to a questionnaire that has been referred to as the VALS questionnaire (comprising 42 statements of agreement), the framework classifies consumers into eight distinct types or segments or mindsets, using a specific set of psychological traits and key demographics that drive consumer behavior. The framework essentially provides for psychographic segmentation, and is illustrative of distinct consumer profiles or personas. It also helps design distinctive communication styles for each of the targets.

The VALS classifies individuals using two dimensions. There are two main dimensions and based on these dimensions, the groups of people are arranged in a rectangle. The two dimensions are primary motivation (the horizontal dimension) and resources (the vertical dimension). The combination of these dimensions determines how a person will express himself or herself in the marketplace as a consumer. i) The horizontal dimension is symbolic of the primary motivation in terms of self-orientation; it explains consumer attitudes and anticipates behavior. It includes three primary motivations, and accordingly classifies the consumer population into three distinct types. - Consumers are motivated by ideals; such people are actually driven by knowledge, beliefs and principles, rather than by feelings, emotions or desire to conform or seek approval of others. The principle oriented includes groups that are called Thinkers and Believers. -Consumers are also motivated by achievement; such people are driven by demonstrating success to others, and include groups that are called Achievers and Strivers. -There are consumers that are driven by self-expression; such people have a desire for social or physical activity, variety, and risk taking, and include groups known as Experiences and Makers.

The VALS Framework may be elaborated upon to explain each of the eight groups.

a) **Innovators:** Innovators are those consumers that are highest on resources and innovation. Because of this they can exhibit all three primary motivations in varying degrees. Located at the top of the rectangle, the innovators have the highest incomes, as also high self-esteem and creativity and can thus choose out of any one or all of the self-orientations. They are successful and sophisticated. Image is important to them as reflection of their taste, independence, personality and character. They are active consumers, who often form a niche as their choices are aimed towards the tastes for upscale "finer things in life."

b) **Thinkers:** Thinkers are those consumer groups that constitute a high-resource group that is motivated by ideals. They are principle oriented, mature and responsible, well informed professionals who are open to new ideas and change. They value order, knowledge, and responsibility, and actively seek out information in the decision-making process. They are consumers who have high incomes, and are practical and rational when it comes to purchase and consumption decision making. They look for functionality and value in the products that they buy.

c) **Believers:** Believers comprise those consumers who are also motivated by ideals but are low on resources. They are traditional, conservative and conventional people, who prefer not to experiment with anything. They have modest incomes and so prefer not to experiment with

their money and consumption patterns. As consumers they are generally brand loyal and go in for purchases of established brands.

d) **Achievers:** Achievers are those consumers who are a high resource group that is driven by achievement. They are successful work oriented people, with goal oriented lifestyles, who also like to exhibit and show-off their achievement to others. They remain commitment to both work and home. Achievers are conservative by nature; yet they are active in the marketplace. Image is important to them and they prefer established prestige brands, and/or products and services. They much purchases and also show-off their purchases of prestige brands to people around them.

e) **Strivers:** Strivers are also driven by achievement but they are a low-resource group. While they have values similar to achievers, they have fewer resources in terms of economic, social, and psychological resources. While they have less money, they give a lot of emphasis to it. Style is very important to them, and they prefer stylish products. They try to emulate the purchases of people with greater resources and material wealth as they strive to emulate people whom they admire. They are also concerned about the opinions and approvals of others. They are active consumers, and view shopping as an opportunity to show to others their ability to buy. Strivers are also fun loving and lack skills and focus on moving ahead in job and career.

f) **Experiencers:** Experiencers are a high resource consumer group who are motivated by self-expression. Age-wise, they are regarded as the youngest of all the consumer segments, which are energetic, enthusiastic and impulsive, something that rightly gets reflected in their activities, which range from physical exercise to social activities. Being high on resources they spend heavily on shopping of clothes, fast-foods, entertainment and hobbies. They like taking risks and quickly become excited about the purchase of new products and services.

g) **Makers:** These are consumer groups that are driven by self-expression, but are low on resources. They remain confined to work and family, and have little interest outside. They value self-sufficiency and possess the skill and energy to work successfully. As consumers they are not impressed by articles of material possession. They are practical by nature and appreciate products that have practical or functional purpose. They are also skeptical of new products and services.

h) **Survivors:** Located at the bottom of the rectangle, survivors are consumer groups that fall lowest in terms of resources. They have too few resources to be included in any of the consumer self-orientations and they are thus located below the rectangle. Age-wise they are

oldest of all the segments. They believe that the world would change too rapidly, and thus they are highly conservative and narrow in focus. As they are low on resources, they are very cautious as consumers; they are comfortable with the familiar and prefer to remain brand-loyal.

6.6 SUMMARY

The system of social class exists in all societies. Substantial differences with respect to buying behavior are found among classes. Various classes shop at different stores and prefer different treatment from sellers. People of different social classes buy different brands and show different spending and saving patterns. These have impacts on marketing strategy formulation. Thus, it may be necessary to design marketing programs tailored to specific social classes. What advertising message and media should be selected for each class, what should be the designs and prices set for each group, and how to distribute the product to each of the groups, may be decided appropriately with a sound knowledge of the social classes and their behavioral patterns. Social class study provides an important explanation of certain aspects of buying behavior.

6.7 ADDITIONAL READING

1. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
2. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
3. Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
4. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

6.8 SELF-ASSESSMENT QUESTION

1. What do you mean by the term “social class”? Discuss the dynamics of social class?
2. Discuss the background of social class study. Explain the concept of social stratification.
3. What are the bases and forms of social stratification? Discuss. Discuss the Max Weber’s scheme of social stratification.
4. Define social class. Identify and explain the characteristics of social class.

7

CULTURE AND CONSUMER BEHAVIOUR

STRUCTURE

- 7.1 Introduction
- 7.2 Characteristics of Culture
- 7.3 Cultural Influence
- 7.4 Cultural Value and Consumer Behaviour
- 7.5 Culture and Product
- 7.6 Social Implication of Culture
- 7.7 Summary
- 7.8 Additional Reading
- 7.9 Self-Assessment Questions

OBJECTIVES

1. The course content will also address the importance of subculture and global consumer culture as marketing opportunities.
2. Demonstrate how as a marketer you can use your knowledge of consumer behaviour concepts to develop better marketing programs and strategies to influence those behaviors.

7.1 INTRODUCTION

Culture may be defined as the “personality of a society”. It is broad and all pervasive in nature, inclusive of language, customs and traditions, norms and laws, religion, art and music, etc. It also includes the interests of people, the work practices and orientations, as also their Culture delineates precisely, the do’s and dont’s of a society, and specifies all that is acceptable and all that is not. It is reflective of values and beliefs that are widely accepted by members of a society. The members of a society subscribe to the various values, beliefs and norms, and this gives strength to a society’s culture. This does not imply that cultures are truly rigid; in fact, they evolve and adapt to changing situations and times. Culture is a society’s personality, unique in itself and differentiated from others; it is further divided into various sub-cultures. Culture is also trans-generational, and is passed on from one generation to another. A study on our culture requires an elaborate and detailed inquiry into the very

character and personality of the society that we live in. The culture of a society also has a bearing on buying patterns and consumption behavior. In terms of consumer behavior, Schiffman defines culture as “*the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society*”. The kinds of products and services and/or brands that consumers’ use, are all based on their cultures and sub-cultures. For example, the food they eat and the kinds of clothes they buy and wear are all impacted by their culture, their customs, and traditions, norms and values attitudes towards general and specific issues.

7.2 CHARACTERISTICS OF CULTURE

Culture and its impact on consumption behavior can be better explained by understanding the nature and characteristics of culture:

Culture is natural and permeates naturally into the social system: It’s in breeds into the members of a social system and is all-pervasive. It influences the manner in which a person behaves, as consciously or sub-consciously, we are all governed by culture. Not only do people use their values and beliefs to govern their behavior, but they also expect that others’ behavior would also be similar and consistent (as culture is shared). Culture unites the members of a social system.

Culture helps in satisfaction of needs: In fact, it exists as it helps satisfy the needs of people. Beliefs, values, customs and tradition, help govern the social system, and specify the manner in which people in a social system should behave; they delineate the do’s and don’ts, and there by create boundaries of acceptable behavior in the social system. However, such values, beliefs, customs and traditions continue to exist as long as they meet the needs of the people in the society. That is why culture evolves with passage of time. As the needs of the people evolve, beliefs, values, customs and tradition also undergo change so as to meet and match with newer needs and wants.

Marketers must be conscious of newly developed and embraced values, customs and traditions, so as to be able to take advantage of the situation. For example, lately developed consciousness of people towards i) fashion, has given boost to the apparel and accessories business; ii) fitness, has given boost to the gymnasium and sports business; iii) health, has given a boost to natural products like fruit juices, honey, aloe vera, etc.

Culture is not inborn: it is learnt as a result of the socialization process. There occurs a socialization process right from one’s childhood, a process that continues throughout life. Culture is imparted by this socialization process. This learning of culture could be of two

kinds; viz., enculturation and acculturation. The process of learning one's native culture is known as enculturation, while the process of learning a new or a foreign culture is known as acculturation. We are impacted by our family (family of orientation and family of procreation), as well as our friends throughout our life. People learn from family and friends about what are acceptable and what is not in terms of our values and beliefs. Cultural learning could take place in three forms, viz., formal learning, informal learning and technical learning. Formal learning: when a child is taught how to behave by family, viz., grandparents, parents and siblings; they tell him about the rights and wrongs in behavior. Informal learning: when the child learns by imitating the behavior of others, be it members in the family, or friends, or celebrities, or characters. Technical learning: when the child is taught how to behave in a formal educational environment by a teacher.

As consumers, it is through our culture learning that we are taught what is regarded as a desirable purchase and what is not. Similar is with respect to brands. Our perception about brands is influenced i) informally by views and opinions from family, friends, and colleagues, and ii) formally by the marketer, the dealer and the sales people. Thus, both general and specific consumption behavior is indicative of the culture that we live in. The kinds of products/services consumers buy are ultimately determined by culture as well. For example, in certain cultures, eating pork and beef is a taboo; thus, when McDonalds came to India, they had to introduce the chicken burger, instead of the normal beef burger sold in the US. They could not disregard the vegetarian population of the country and so introduced the veg-tikki burger MNC's who desire to enter foreign markets, and wish to introduce their products and services there, should carefully study and understand the cultures of such countries. They need to go through an elaborate process of acculturation so that they can understand the inhabitants of such cultures and their needs, so as to assess whether such potential markets could be profitable target segments. They should design the product and service offerings (including the 4Ps), in line with the culture so as to be able to gain quicker acceptance. The colors, language and symbols, should all be kept in mind. The marketer could use all the three forms of cultural learning through designing appropriate promotional messages and using an appropriate channel.

Culture is shared: It is accepted and imbibed by all the members of the social system. In fact, it ties together the people that form a social system. Social institutions (family), educational institutions (schools, colleges and universities), political institutions (law, public policy, leaders and government), and religious institutions (like places of worship, artifacts,

and religious leaders) help in transmitting this culture to the members of the society. The mass media print and audio-visual also has a role to play in the transmitting of culture. Also today, cultures and sub-cultures are shared by people within, and outside. Needless to say, the mass media has a big role to play. With the various satellite channels varying for viewer ship across India, and higher TRP ratings, the various soaps and serials reflect cultures of all kinds; they portray all kinds of families, all types of cultures and sub-cultures. We get to see stories on families from Gujarati, Bengali, Punjabi and TAMILIAN cultures; the dressing patterns, the favorite dishes, the customs and rituals etc. With the various national and vernacular channels that we have in India, we have begun to share sub-cultures too.

Subcultures are no longer restricted to geographical boundaries today. As consumers, we are also impacted most by such institutions, and primarily by mass media. As discussed in the above paragraph, with the advent of satellite channels, there is growing awareness of other cultures and sub-cultures. An important role on spread of culture is also through advertisements. Today there is demand for dhokla and khakra (Gujarati food) in North India, or mishtidoi and hilsa fish (Bengali food) in South India. This trend is also increasing because people are crossing borders of their states and moving elsewhere for jobs and assignments.

Culture is dynamic in nature: It evolves constantly with time. It adapts itself to the changing environment. As said above, values, beliefs, customs and traditions continue to exist as long as they satisfy the needs and wants of the people. Once they cease to satisfy people's needs, they change. Thus, culture changes and adapts to the environment. Marketers need to continually assess the environment so as to identify changing need patterns, and change/modify/adapt existing products and services, and even come up with new ones. One such example, i.e. dual income households and the need for eating out, resulting in demand for fast food and restaurants, has already been discussed above. With changes in culture, we can also witness its impact on the buying roles. The marketers have to identify the initiators, influencers, deciders, buyers and users, and approach them accordingly, either personally or impersonally via media. Marketers who continually assess the environment can identify opportunities and exploit them to their advantage.

7.3 CULTURAL INFLUENCE

Cultural Influence on Consumer Behaviour

There are several factors which influence the buying decision of consumers, cultural factors being one of the most important factors. Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual

which decides the way he/she behaves. In simpler words, culture is nothing but values of an individual. What an individual learns from his parents and relatives as a child becomes his culture.

Example - In India, people still value joint family system and family ties. Children in India are conditioned to stay with their parents till they get married as compared to foreign countries where children are more independent and leave their parents once they start earning a living for themselves.

Cultural factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background. What they see from their childhood becomes their culture.

Let us understand the influence of cultural factors on buying decision of individuals with the help of various examples.

Females staying in West Bengal or Assam would prefer buying sarees as compared to Westerns. Similarly a male consumer would prefer a Dhoti Kurta during auspicious ceremonies in Eastern India as this is what their culture is. Girls in South India wear skirts and blouses as compared to girls in north India who are more into SalwarKameez.

Our culture says that we need to wear traditional attire on marriages and this is what we have been following since years. People in North India prefer breads over rice which is a favorite with people in South India and East India.

Cultural Influences and Marketing Strategy

Due to globalisation of business environment, companies have to face increasing haste, occurrence and magnitude of competitors. It is not easy for any corporation to start and expand their business for a long duration without implementing marketing strategies. International market has also resulted to change in consumer taste and preferences. For example, customers do not wait for a single product because there are many alternatives available in the market and they can easily shift to another product without compromising with their taste. This is the main reason that today's business environment is consumer oriented. Marketers always consider it that how they can satisfy consumers. The most important factors that a marketer keeps in mind are to offer best quality, less prices and easily access to consumers but all these concepts are considered by almost all the marketing managers. Only those companies stay for long duration which implements new strategies and they do not ignore the importance of culture in product promotion. Companies are facing many problems regarding marketing and culture, the most important challenge is culture. To

achieve continuous growth and competitive success, it is necessary for companies to understand the diversity and complexity of marketing activities. Consumers have different choices in different countries. These differences are result of diversified culture, attitude, values and norms. Culture has a deep influence on product choice, motivation and life style of customers. Cultural influence is shown by how many customers prefer to purchase same product. Due to the increase in international trade there is a need to redesign the marketing strategies of a product. The increase in cross-border trading has led to the emergence of international marketing. The companies which are moving towards the concept of international marketing face the problems of difference between the countries and one of the major problems they face is designing the marketing strategies according to the cultural diversification. Only those companies are more successful now a day's which are exporting their products to cope with the specific demands of a particular culture.

Sub cultural and Cross cultural Influence

While culture is defined as the “personality of a society”, (inclusive of language, customs and traditions, norms and laws, religion, art and music, etc), it is not entirely homogenous in nature. Not all people within a social system share the same language, religion, customs and traditions. Every society is composed of smaller sub-units, homogenous within, and heterogeneous outside, all of which when put together make a complex society. Such sub-units or sub-groups are known as sub-cultures; people within sub-cultures possess distinctive sets of values, beliefs, customs and traditions etc. The members of a subculture possess such values and beliefs, as also customs and traditions that set them apart from people belonging to other sub-cultures. For example, while we are all Indians, and our culture is Indian (with a common national language, Hindi, and common festivals like Diwali), North Indians are different from South Indians. While North Indians celebrate Lohri, as a harvest festival in January, the South Indians celebrate Pongal as their harvest festival at the same time. In other words, people within smaller units share the same language, religion, customs and traditions; and, this would be different in smaller or larger magnitude to people in other sub-units.

Cross cultural Marketing

Globalization is an inevitable process in the 21st Century, and so is the cross-culturalization. The world is becoming more and more homogeneous, and distinctions between national markets are not only fading but for some products it's disappearing. This means that marketing is now becoming a world common discipline. However, on the other

hand, the differences among nations, regions, language, regulatory environment, past heritage, ethnic groups, etc. in terms of cultural factors still exist in the market place and having obvious impact on the marketing practices of the business organizations. From a marketing point of view it is very important for marketers to realize that the markets in the 21st century are cross-cultural markets and to be aware of and sensitive to the cultural differences is a major premise for the success in the 21st Century marketplace. The following aspects should be vital to be considered by a business: cultural impacts on marketing (international versus domestic) cross-cultural dimensions of marketing research cross-cultural aspects of marketing mix (products, price, promotion, and distribution) cross-cultural marketing education and professional training cross-cultural practice in electronic marketing. Cross-cultural marketing can be seen as the strategic process of marketing among consumers whose culture differs from that of the marketer's own culture at least in one of the fundamental cultural aspects, such as language, religion, social norms and values, education, and the living style. From the anthropological perspective all market behaviours are culture-bound. Therefore, in order to match the marketing mix with consumer preferences, purchasing behavior, and product-use patterns in a potential market, marketers must have a thorough understanding of the cultural environment of that market.

7.4 CULTURAL VALUES AND CONSUMER BEHAVIOUR

Culture can be measured through use of many techniques, some of which are i) Projective Tests; ii) Attitude measurement tests and techniques; iii) Content analysis; iv) Consumer fieldwork; and v) Value measurement instruments. These techniques are used to study and assess cultural patterns, changes and trends.

i) Projective Tests: Projective tests can be traced to the psychoanalytic psychology, which argue that human beings have conscious and unconscious attitudes, motivations and personalities that are hidden and unknown from conscious awareness. The projective tests attempt to measure underlying traits, fears, anxieties and attitudes, motivations and personalities. They help reveal people's orientations towards the cultural values, myths, customs, traditions and rituals. The participants are shown pictures, images, cartoons and characters, inkblots and incomplete sentences/paragraphs to understand, interpret and comprehend them. The participants are asked to give as responses all that first comes into their minds. Gestures and body language, tone of voice and other reactions are also noted. The assumption behind use of such tests is that one tends to project and interpret to these ambiguous stimuli from ones' sub consciousness. Such tests are used to study motivation and

personality. The two commonly used tests are the Rorschach Inkblot Test and the Thematic Apperception Test (TAT).

ii) **Attitude measurement tests and techniques:** Attitude measurement tests and techniques are used to measure attitudes of people towards persons, objects, and situations. They reflect people's attitudes and orientations towards the cultural values, myths, customs, traditions and rituals.

iii) **Content analysis:** Content analysis focuses on the examination of verbal, written, nonverbal and pictorial compositions/communication. The content analysis helps reveal and explain the content of messages and the varying interpretations. Assessment about the society, and its culture as well as evolutionary socio-cultural changes can be gauged through the content of verbal, written, non- verbal and pictorial compositions/communication.

iv) **Consumer fieldwork:** Fieldwork may be conducted on consumers, so as to observe their behavior, and draw generalizations about the values, myths, beliefs, customs, traditions and rituals. Such generalizations are drawn on observable in store shopping behavior. Verbal and non-verbal body language are also observed and recorded. Sometimes, instead of being passive observers, the researchers may assume active roles and interact with the consumers (participants) as salespersons. Interviews and focus group sessions may also be used.

v) **Value measurement instruments:** Researchers today, are increasingly making use of value measurement instruments. These are scales that measure values by means of a questionnaire. Participants are asked to give their opinion on varied issues like peace, freedom and independence, comfort and convenience, ambition and success etc. Through interpretation of their responses and the observation of behavior, researchers can infer the dominant or underlying values of the society. Such values would influence general and specific consumption patterns and buying behavior. Commonly used value measurement instruments are the Rokeach Value Survey, the List of Values (LOV), and the Values and Lifestyles (VALS).

7.5 CULTURE AND PRODUCTS

Cultural Practices, Products, and Perspectives

Practices: Practices are patterns of social interactions, behaviors. Practices involve the use of products. They represent the knowledge of "what to do when and where" and how to interact within a particular culture.

Products: Products are the tangible or intangible creations of a particular culture. They reflect a culture's perspectives.

Tangible products: Tangible products are paintings, a cathedral, a piece of literature, a pair of chopsticks

Intangible products: Intangible products are oral tale, a dance, a sacred ritual, a system of education, a law.

Perspectives: The philosophical perspectives, meanings, attitudes, values, beliefs, ideas that underlie the cultural practices and products of a society. They represent a culture's view of the world.

7.6 SUMMARY

Culture may be defined as the “personality of a society”. It is broad and all pervasive in nature, inclusive of language, customs and traditions, norms and laws, religion, art and music, etc. It also includes the interests of people, the work practices and orientations, as also their attitudes towards general and specific issues. The culture of a society also has a bearing on buying patterns and consumption behavior. In terms of consumer behavior, Schiffman defines culture as “the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society”. The various components of culture are values, language, myths, customs, rituals and laws.

7.7 ADDITIONAL READING

1. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
2. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
3. Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
4. Wells W.D. and Prenskey, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

7.8 SELF ASSESSMENT QUESTIONS

1. Define culture in the context of consumer behavior.
2. Mention the characteristics of culture.
3. What are the forms in which cultural learning take place?
4. Mention the various components of culture?
5. Mention commonly used value measurement instruments.

8

PERSONAL INFLUENCE AND OPINION LEADERSHIP PROCESS

STRUCTURE

- 8.1 Introduction
- 8.2 Meaning of Opinion Leadership
- 8.3 Characteristics of opinion Leaders
- 8.4 Measurement of Opinion Leadership
- 8.5 Opinion Leadership and Firm Promotional Strategy
- 8.6 Summary
- 8.7 Additional Reading
- 8.9 Self-assessment questions

OBJECTIVES

- Discuss the importance of opinion leaders in marketing and how they can influence the success of a product or service.
- Identify the major factors that influence a consumer's purchase decision and behavior.

8.1 INTRODUCTION

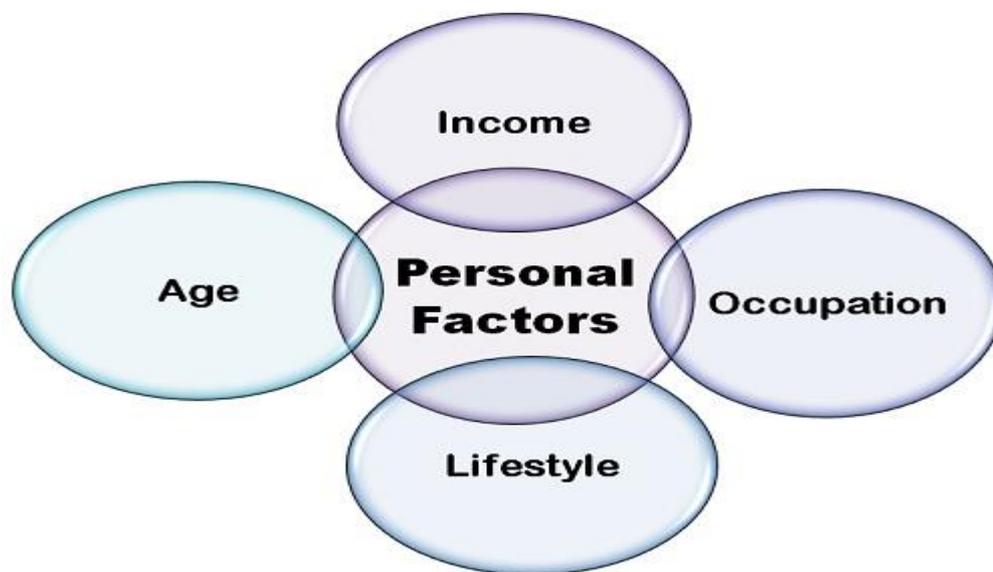
As people communicate with each other in a purchase decision making situation, one of those involved in the informal communication process is able to influence the attitude and purchase decision of others. He is an Opinion Leader and the process is known as Opinion Leadership. Schiffman defines Opinion Leadership as “the process by which one person (the opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients”.

An identification of Opinion Leaders, their behavior and the very dynamics of the Opinion Leadership process is helpful to the marketer. Once the marketers have identified the Opinion Leaders, marketers can target their marketing efforts to them. They can provide product information and advice to them and Opinion Leaders through WOM can make the task easier for marketers.

Mention has also been made about Opinion Leaders who act as a vital link between the marketer and consumers. This lesson deals with the Opinion Leaders and the Opinion

Leadership process in greater detail. In terms of marketing, such a conversation relates to purchase activity and consumption behavior, and thus pertains to anything and/or everything about product and service offerings.

Consumer Behaviour helps us understand the buying tendencies and spending patterns of consumers. Not all individuals would prefer to buy similar products. Consumer behaviour deals with as to why and why not an individual purchases particular products and services. Personal Factors play an important role in affecting consumer buying behaviour. The Personal Factors are the individual factors to the consumers that strongly influence their buying behaviors. These factors vary from person to person that result in a different set of perceptions, attitudes and behavior towards certain goods and services.



8.2 MEANING OF OPINION LEADERSHIP

One of those people, who indulge in informal product related communication, usually provides information about a product or product category, whether it would be useful to buy, how it would be used etc. He would also offer advice as to which of several brands is the best and from where it should be bought. This person is known as the Opinion Leader and the process is known as Opinion Leadership.

In some cases, the Opinion Leader just likes to talk and discuss about a product or service category. He voluntarily provides information about the product and product category and/or about brands. The people who form the audience and listen to him are called Opinion Receivers. In other cases, prior to a purchase, people could approach an Opinion Leader and request him for information and advice about the product category and/or about brands. That

is, the Opinion Leader would provide information only when asked for. In such cases, the persons (audience/or the receiver of information) are known as Opinion Seekers. Individuals who on their own seek information and advice about products and brands are called Opinion Seekers. There is a two-way exchange of information, and both opinion leaders and opinion receivers/seekers interact with each other. Opinion leaders provide the receivers/seekers with product information, advice, and relate to them their experiences. In return for this, they gather more information, personal opinion and personal experiences from the receivers/seekers.

Opinion Leaders are not generic in nature; they are specific to a product category and the Opinion Leader for a product category would become an Opinion Receiver/Seeker for another product category.

8.3 CHARACTERISTICS OF OPINION LEADERS

Opinion leaders play a key role and act as a vital role between the marketer and the consumer. He communicates informally about product and service offerings and/or brands; he gives product news and advice to consumers (current and potential) and also narrates his personal experience to others.

1. **Credible Source:** Opinion leaders are knowledgeable. Their advice about a product or service is considered reliable. As opinion leaders are informal sources of information, it is perceived that they give advice in the best interest of opinion seekers. The firsthand information received from opinion leaders helps in reducing perceived risks. It properly tackles the anxiety in buying new products as the opinion is based on the firsthand experience.

2. **Provision of Both Positive and Negative Product Information:** Marketers provide information which is invariably favorable to the products they are marketing. But opinion leaders are not directly associated with marketers. They provide both favorable and unfavorable information about the product. So, opinion seekers have faith in opinion leaders. They are confident that they are receiving both positive and negative information in an accurate way.

3. **Sources of Information and Advice:** Opinion leaders are the source of both information and advice. They simply share their experience about a product or service. Their talk is related to what they know about a product. In their more aggressive talks, they advise others to buy or avoid a specific product. They base their advice on proper reasons.

4. **Two-way Street:** Opinion leaders in one product related situation become opinion receivers in another situation even for the same product. For example, a new homeowner thinking of buying a lawn mover seeks information and advice from other people about which brand to select. After purchasing the lawn mover, he may be satisfied with the product (in the post purchase experience). Now he has a compelling need to talk favorably about the purchase to other people to confirm the correctness of his choice. In the first instance, he is an opinion receiver and in the second he is an opinion leader.

Sometimes, an opinion leader is influenced by an opinion receiver. For example, a person may recommend a favorite hotel to his friend. In response the opinion receiver gives his own comments on that hotel. Finally, the opinion leader may come to realize that the hotel is too small, too isolated and offers fewer amenities than other hotels.

5. **Specific Characteristics:** Opinion leaders possess distinct personality traits. These include self-confidence and gregariousness. They are socially inclined, outspoken and are knowledgeable.

6. **Trend setter:** Opinion Leaders act as trend setters. They are inner oriented and do not bother about what others in the society say or do. They are also innovative and often go in for purchase of new product and service offerings (of their interest category) and through the purchase and usage, they set the trend.

Opinion Leaders play the trend setter role when they narrate accounts of their personal experiences to others to copy and emulate. In other words, if they purchase a new innovative product of their interest, they speak of their experience as acts of behavior that the audience (opinion receivers/opinion seekers) should emulate. Unlike the authority role (of providing news and advice), they emphasize more on narrating their personal experiences. Rather than knowledge and expertise being the source of credibility, it is the personal experience that provides credibility. Once a trend is set by trend setters, people begin to copy them. In fact they act as a reference group for others who want to use the same product and service offerings that are used by former. As trend setters, Opinion Leaders could belong to membership or non-membership reference groups.

Motives behind Opinion Leadership:

Both Opinion Leaders and Opinion Receivers/seekers have their own reasons for providing information and receiving/seeking product information and advice. Opinion Leaders give product related information and advice sometimes voluntarily on their own and sometimes when are approached and asked for. Similarly Opinion Receivers/Seekers request

for information or listen with listen with patience to all that the Opinion Leader has to say. There are various reasons as to why such communication exchange takes place between Opinion Leaders and Opinion Receivers/Seekers, be they relatives, friends, acquaintances or even strangers.

Some of the reasons why Opinion Leaders provide information and why Opinion Receivers/Seekers receive or seek information and advice are discussed below. These explain the motives behind the opinion leadership process.

i) Why do Opinion Leaders provide information?

- Opinion Leaders like to give product news, provide expert advice and also love to share their experiences with others. This is because they are involved and interested in a product or service category, and love to talk about it (product involvement).

- WOM communication gives them an opportunity to talk about their interests to others. Further they may feel so positively and favorably or negatively and unfavorably about a product and/or brand that they feel like telling about it to others (product involvement, self-involvement and social involvement)

- As they possess knowledge, expertise and experience with a product category, they feel important and powerful when people approach them for information and advice. It confers upon them a sense of superiority or special status over others. They take pride in providing information and advice (self-gratification, power and pride). They also feel that others to whom they have given information and advice on new products or services have bought them because of them.

- They may be genuinely be benevolent and generous, and out of altruistic concerns may like to help others, especially family, friends, relatives and neighbours (selfless motive: social involvement).

- Opinion Leaders may be also trying to reduce their own level of post-purchase cognitive dissonance (self-interest).

- Interestingly true, many provide information.

ii) Why do Opinion Receiver/Seekers request for information?

- Opinion Receivers/Seekers gather information so that they can make the right purchase decision, with respect to the right product and service offering, the right brand, at the right price, from the right store and at the right time. Especially in cases of high involvement products, a person may be less knowledgeable and less involved and can take advice from someone who is more experienced and knowledgeable for that product category.

- They obtain information about new-product or new-usage.
- It reduces the physical and cognitive effort that the Opinion Receivers/Seekers has to take to gather information, evaluate alternatives and take the right decision. They also save on time required to gain information about product and the varying brands.
- Product knowledge and advice reduces the level of uncertainty associated with a purchase. It helps them reduce the perceived risk as they are able to gain product and/or brand knowledge from experts, who are also many a times innovators and first-time users of the product.
- They prefer word-of-mouth communication over other marketing communication as they believe that while the latter have an ulterior interest in making sales, the former is more credible with no ulterior motives.
- People also turn to Opinion Leaders so as to confirm their purchase decisions. This is particularly true for high involvement products, as also for products that need social approval and/or match social class and social status.

8.4 MEASUREMENT OF OPINION LEADERSHIP

As Opinion Leaders act as a vital link between marketers and consumers, the marketers are always concerned with:

- i) The identification of such people in a social structure who are Opinion Leaders.
- ii) The identification of people who have the potential to become Opinion Leaders.
- iii) The measurement of Opinion Leadership.

In order to measure Opinion Leadership, it is essential that Opinion Leaders with respect to the product/service category are identified. It is also important that people who have the potential to become Opinion Leaders are also identified. There are three ways in which Opinion Leaders can be identified; these are listed as follows:

- a) Marketers directly ask the consumers whether they are Opinion Leaders.
- b) They ask a subject expert to identify who the Opinion Leaders are.
- c) They study the communication patterns and flows among consumers, interpret the dynamics and identify the leaders.

These methods, in particular the third one help marketers to identify the traits and characteristics that make up an Opinion Leader for a type of product or service category. It also helps the marketer understand the behavior of Opinion Leaders and the dynamics underlying the Opinion Leadership process. Marketers are interested in identifying, measuring and analyzing the impact of the opinion leadership process on consumption

patterns and consumption behavior. An understanding of the traits and characteristics of Opinion Leaders, their behavior and the very dynamics of the Opinion Leadership process is helpful to the marketer. Once the marketers have identified the general traits and characteristics of Opinion Leaders, they can target their marketing efforts, particularly the communication programme at all such consumers who possess such traits and characteristics. Marketers would provide them with information about the product and product category, about the brand, about the usage, its benefit and utility etc. They would also tell them about the various attributes and features, the price and the availability. Once such people (Opinion Leaders or those who have the potential to become Opinion Leaders) are exposed with such a message, they would in turn talk about it to others in their social group. This would make the job easier for a marketer. All this would ultimately lead to an informal spread of product news, advice and experiences. As has been discussed earlier, WOM communication has a greater impact on consumption behavior as it is regarded as being credible, without any hidden/ulterior motives.

As far as measurement of Opinion Leadership is concerned, researchers make use of various methods. According to Rogers, there are four basic techniques for measuring Opinion Leadership.

i) **The self-designating method:** A marketing survey is conducted and people are asked a series of questions to determine the degree to which they behave as Opinion Leaders.

Questions pertain to:

- a) The extent to which they have given information and advice about a product/service category and/or brands to others in the social system
- b) How often they have been able to influence the purchase decisions about others.
- c) How often they have been approached by others for information and advice about that particular product/service category.

Advantages: It is easy to include and apply in market research questionnaires. It helps measure an individual's perception and assessment about his/her actual Opinion Leadership and related capacities.

Disadvantages: As the technique is based on self-assessment and evaluation, it could be to lead to over-estimation of self and thus, suffer from bias. People could portray themselves as being "knowledgeable and important advisors" to others when it comes to making purchase decisions. It is also difficult to assess the outcome of the informal communication in terms of knowledge and advice. While a person may report that he provides information and advice,

and helps people make purchase decisions, it may not be essential that the receivers may be actually using this information and advice. Thus, success of the technique would depend on the objectivity with which a respondent can identify, assess and report his personal influence. The final assessment needs to be made by the marketer. The marketer must understand the degree of relevance the Opinion Receivers/Seekers attach to the information and advice that they receive from the various so called Opinion Leaders. This assessment would help the marketer identify who among the many are Opinion Leaders and who are not.

ii) **The socio-metric method:** The socio-metric method of measuring Opinion Leadership basis itself on the study of the social system, and particularly the communication patterns and flows to identify those to give information and advice as act as Opinion Leaders. Researchers examine complete patterns of informal information flows among consumers of a particular product/service category, and identify those who provide information to others as Opinion Leaders. While the technique makes use of the analysis of the communication flow, it also uses questionnaires that are administered to people in a social system. People in a social system are asked to identify:

a) Those people to whom they have given information and advice about a product/service category. In case the respondent identifies one or many people to whom he has provided information and advice, he is regarded as an Opinion Leader. Researchers could cross-examine by contacting and questioning the Receiver/Seekers of information and confirming from them.

b) Those people to whom they have gone for information and advice about a product or service category and/or brand. Her again, researchers could cross-examine by contacting and questioning the Opinion Leaders and confirming from them.

Advantages: The technique can meet tests of validity and reliability. Chances of misconception and bias are less.

Disadvantages: It is a costly in terms of both money and time. In order to obtain results that are valid and reliable, it requires intensive and extensive data, i.e. a large amount of information from a large sample of respondents. This could be expensive and time consuming. The analysis could also be complex and would require experts in the area.

iii) **The key informant method:** Based on careful observation and analysis of social communication, key informants in a social system are identified. These key informants are asked to identify and/or designate individuals in the social group who are Opinion Leaders or who are most likely to be Opinion Leaders. The key informants are those who are aware about

the communication patterns in a social environment and able to provide a fair and impartial assessment of these patterns. They may or may not be a member of such group(s); they may be active participants or passive observers. In this way (where an expert is asked to identify Opinion Leaders), the technique is better than the self-designating method (where a person is asked to assess himself as an Opinion Leader).

Advantages: This is relatively less expensive and time consuming, as compared to the socio-metric method. The study is based on a chosen few rather than large samples in the self-designating and socio-metric methods.

Disadvantages: If informants are not carefully chosen, they may provide wrong information.

iv) **The objective method:** The objective method is based on simulation. It identifies and measures Opinion Leadership by placing people in controlled environments (just as controlled experiments). People are chosen, given information about new products and service categories, and the asked to act out as Opinion Leaders. The resulting “web” and “patterns” of informal interpersonal communication regarding the relevant product or service category are traced and analyzed. The technique thus measures the results of their efforts and assesses how successful their impact is on consumption behavior.

Advantages: It measures people’s abilities to provide news and advice and influence purchase decisions in controlled environments.

Disadvantages: It is time consuming, as it requires setting up of experimental designs. It is a complex process and requires subject experts and trained psychologists.

8.5 OPINION LEADERSHIP AND FIRMS PROMOTIONAL STRATEGY

The study of informal interpersonal communication, particularly through Opinion Leadership holds relevance for a marketer. The Opinion Leader provides product news, advice and experience to Opinion Receivers/Seekers (potential consumers). This reduces the latter’s physical and cognitive effort associated with the purchase decision making process. It also reduces their level of perceived risk. Marketers realize that Opinion Leaders are regarded as credible sources of WOM communication. They also successfully exert tremendous amount of influence on consumers' choice and preferences as also the actual purchase activity. Thus, the study of Opinion Leadership holds relevance for a marketer.

As Opinion Leaders act as a vital link between marketers and consumers, the marketers should concern themselves with the identification of Opinion Leaders, as also the identification of those who have the potential to become Opinion Leaders. For this they need to have an understanding of the traits and characteristics that make up an Opinion Leader for

a type of product or service category. Once they have identified the general traits and characteristics of Opinion Leaders, they can target their marketing efforts, particularly the communication programme at all such consumers. Marketers would provide them with information about the product and product category, about the brand, about the usage, its benefit and utility etc. They would also tell them about the various attributes and features, the price and the availability. Once such people (Opinion Leaders or those who have the potential to become Opinion Leaders) are exposed with such a message, they would "carry around the word" to the masses, by talking about it to others in their social group. This would make the job easier for a marketer.

Marketers often attempt to encourage Opinion Leadership through their marketing strategies:

- Through schemes like "share your experiences", "tell others that you like our brand", etc., marketers encourage consumers to discuss their experiences with others (eg. Electronic goods etc).
- Through showing advertisements that portray product/service informal discussions about products/services amongst people (eg. health drinks, skin and hair care products etc.).

It needs to be mentioned here that WOM communication is difficult to manage and control. When a person is satisfied with the purchase of a product and/or brand, he would speak in favor of it. On the other hand, when he is dissatisfied with the purchase and the usage, he would speak unfavorably about it to others. Similarly, Opinion Leaders provide information that could be both favorable and unfavorable to a product or service category and/or brand. Negative remarks could also arise in the form of rumors, especially with new product categories. Needless to say, quite logical that the unfavorable or negative information has a deeper and profound effect to counter this, marketers are desirous of handling customer relations in a better manner, and have introduced help lines and toll free numbers.

Marketers should also measure and analyze the impact of the Opinion Leadership process on consumption patterns and consumption behavior. This would help him understand those amongst Opinion Leaders who are genuine and powerful and those who are fake and superficial. This is because they can then focus more on the former than on the latter. All this would ultimately lead to an informal spread of product news, advice and experiences. As has been discussed earlier, WOM communication has a greater impact on consumption behavior as it is regarded as being credible, without any hidden/ulterior motives.

8.6 SUMMARY

An identification of Opinion Leaders, their behavior and the very dynamics of the Opinion Leadership process is helpful to the marketer. Once the marketers have identified the opinion leaders, marketers can target their marketing efforts to them. They can provide product information and advice to them and Opinion Leaders through WOM can make the task easier for marketers.

Personal Factors play an important role in affecting consumer buying behaviour. The Personal Factors are the individual factors to the consumers that strongly influence their buying behaviors. These factors vary from person to person that result in a different set of perceptions, attitudes and behaviour. Opinion Leaders are not generic in nature; they are specific to a product category and the Opinion Leader for a product category would become an Opinion Receiver/Seeker for another product category behavior towards certain goods and services. An understanding of the traits and characteristics of Opinion Leaders, their behavior and the very dynamics of the Opinion Leadership process is helpful to the marketer. Once the marketers have identified the general traits and characteristics of Opinion Leaders, they can target their marketing efforts, particularly the communication programme at all such consumers who possess such traits and characteristics.

8.7 Additional Reading

1. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
2. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
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5. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

8.8 Self-Assessment Questions

1. Which of the following statements about the socio-metric method of measuring opinion leadership is false?
2. Define Opinion Leadership.
3. Mention the three roles played by Opinion Leaders.
4. Explain briefly the key informant method of measuring Opinion Leadership.

5. Give instances how marketers can encourage Opinion Leadership through their marketing strategies.

9

CONSUMER DECISION MAKING

STRUCTURE

- 9.1 Introduction
- 9.2 Meaning of Consumer Decision Making
- 9.3 Buying Roles
- 9.4 Types of Decision making
- 9.5 Stages in Decision Making Process
- 9.6 Summary
- 9.7 Additional Reading
- 9.8 Self -Assessment Questions

OBJECTIVES

1. Understand what the stages of the buying process and distinguish between low involvement buying decisions and high involvement buying decisions.
2. Classify and evaluate theories of the consumer decision-making processes.

9.1 INTRODUCTION

Consumer Decision Making Process means the process of identifying and verifying the decision making of the consumer by the business leaders or the marketers. The Marketers have simplified the process of decision making in five stages. The end consumer is the heart and soul of any business stability. End Consumer is a business term used to describe the end user of the product in the distribution chain of business. The End User may or may not be the purchaser of the company product. The predominant objective is to form an understanding of consumer behaviour by discussing a number of different models of consumer behaviour, detailing different theories how consumer purchase decisions are formed and influenced by external and internal factors. The discussion commences by distinguishing different types of decision-making processes that consumers can follow. This will be followed by a detailed discussion on the different stages of the decision-making process together with the environmental influences and individual differences influencing the decision making process.

9.2 MEANING OF CONSUMER DECISION MAKING

Understanding and studying individuals, organization or groups of people and the process from which the individuals, organization or groups of people go through while selecting, securing, using, and consuming a product or a service in order to satisfy the needs is Consumer Behavior. In pretty simple words the consumer behavior is the psychological process from which an individual goes through in order to identify needs, to find the resource or way to fulfill that need and to make the buying decision. The stages of the consumer decision-making process that will be discussed based on the model of consumer behaviour proposed by Engel, Blackwell & Miniard (1995 version), are need recognition, search, pre-purchase alternative evaluation and purchase and its outcomes. Three outcomes of purchase will be discussed, namely consumption, post-purchase alternative evaluation and divestment. The consumer information-processing process, that considers how external stimuli are processed, retained in and recalled from consumer memory, is regarded an important component of the consumer decision-making process.

9.3 BUYING ROLES

Consider the selection of a family automobile. The teenage son may have suggested buying a new car. A friend might advise the family on the kind of car to buy. The husband might choose the make. The wife might have definite desires regarding the car's size and interior. The husband might make the financial offer. The wife might use the car more often than her husband. Wants are unlimited and the resources to satisfy these wants are limited. So the consumers think rationally before buying any product. Buying toothpaste is totally different from buying a luxury car. The more expensive the good is the more information is required by the consumer.

The Person Involved can play either of these roles

Initiator: A person who first suggests the idea of buying the particular product or service.

Influencer: A person whose view or advice influences the decision.

Decider: A person who decides on any component of a buying decision, whether to buy, what to buy, how to buy, or where to buy.

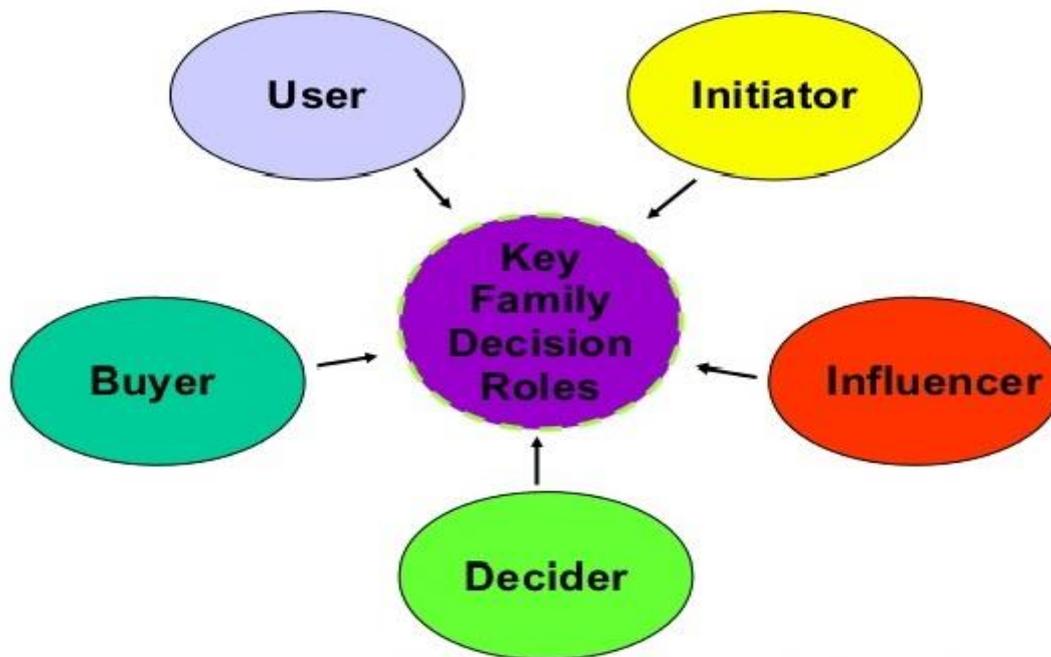
Buyer: The person who makes the actual purchase.

User: A person who consumes or uses the product or service.

A company needs to identify these roles because they have implications for designing the product, determining messages, and allocating the promotional budget. If the husband decides on the car make then the auto company will direct advertising to reach husbands. The

auto company might design certain car features to please the wife. Knowing the main participants and their roles helps the marketer fine-tune the marketing program.

Consumer Buying Roles



9.4 TYPES OF DECISION MAKING

Consumer decision-making varies with the type of buying decision. There are great differences between buying toothpaste, a tennis racket, a personal computer, and a new car. Complex and expensive purchases are likely to involve more buyer deliberation and more participants. Involvement is the perceived importance or personal relevance of an object or event. It is about the degree to which the consumer feels attached to the product or brand, and the loyalty felt towards it. Involvement has both cognitive and affective elements: it plays on both the brain and the emotions.

Consumers make purchase decisions when they buy small items, such as a cup of coffee, and when they buy larger items, such as a house. After recognizing a need or a want, consumers begin searching for products or services that fit their needs. They evaluate their options, taking note of everything from pricing to a brand's reputation, before making a purchase. Four types of consumer buying behavior outline product purchase decisions.

Impulse Purchases

When a consumer stands at the checkout and notices lip moisturizer, magazines and gum, and adds one of the items to his cart of groceries, it's often referred to as an impulse

purchase. The consumer makes a purchase with little to no thought or planning involved. In most instances this happens with low-priced items.

Routine Purchases

There are items consumers are used to purchasing every day, once a week or monthly. These can range from a morning cup of coffee from a nearby convenience store, to milk, eggs and cheese from the supermarket. Customers spend very little time deciding whether or not to purchase these items and don't typically need to read reviews or consult with friends for their opinions before they make routine purchases.

Limited Decision Making

When customers engage in purchases that require limited decision making, they may seek advice or a suggestion from a friend. For example, if a young professional is preparing for an interview and wants to get her hair colored the week before, she might solicit advice from friends to find out which salon does good hair coloring work. As she shops for a suit for the interview, she might also ask for suggestions on which store to go to and which brand of suit is the best. The consumer may research a few options, but the search is not as thorough, or as time consuming, as with a higher priced item.

Extensive Decision Making

Purchases for high priced electronics, such as a television, computer or camera, or major purchases such as a home or car require consumers to use extensive decision making. Consumers spend substantial amounts of time researching a high number of potential options before they buy. They speak with trusted friends, family, colleagues and sales professionals, and read reviews and ratings online and in consumer magazines. The decision making process lasts longer, as the consumer is investing a substantial amount of money. There are four types of consumer buying behavior on the basis of buyer involvement while purchasing any product.

	High involvement	Low involvement
Significant differences between brands	Complex buying behavior	Variety-seeking buying behavior
Few differences between brands	Dissonance-reducing buying behavior	Habitual buying behavior

High involvement: the term means when the consumer is highly involved while buying a product. Generally this situation happens in case of expensive or luxuries goods. Like while buying a diamond necklace a consumer is highly involved.

Low involvement: This term means when the consumer is not highly involved while buying a product. It happens in case of low price goods. Like while buying toothpaste a consumer is not highly involved.

Significant differences between brands: It means when there are significant differences between brands.

Few differences between brands: It means when there are very little differences between brands.

1) **Complex buying behavior:** When the consumer is highly involved in the buying and there is a significant difference between brands then it is called complex buying behavior. So in this case the consumer must collect proper information about the product features and the marketer must provide detailed information regarding the product attributes.

2) **Variety seeking behavior:** In this case consumer involvement is low while buying the product but there are significant differences between brands. Consumers generally buy different products not due to dissatisfaction from the earlier product but due to seek variety. Like every time they buy different washing detergent just for variety. So it is the duty of the marketer to encourage the consumer to buy the product by offering those discounts, free samples and by advertising the product a lot.

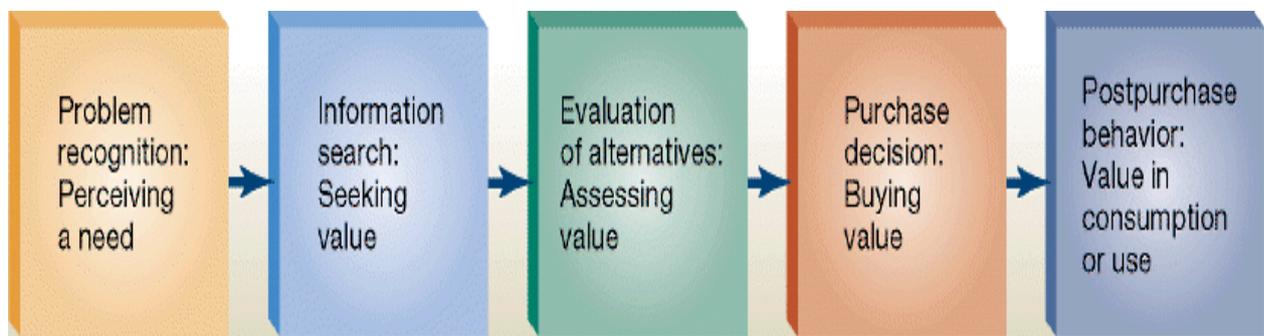
3) **Dissonance buying behavior:** Here consumer is highly involved in the purchase but there are few differences between brands. Like consumer while buying a floor tiles buy them quickly as there are few differences between brands.

4) **Habitual buying behavior:** In this case there is low involvement of the consumer and there are few differences between brands. The consumer buys the product quickly.

9.5 STAGES INVOLVED IN DECISION MAKING PROCESS

The buying decision process is the decision-making process used by consumers regarding market transactions before, during, and after the purchase of a good or service. It can be seen as a particular form of a cost benefit analysis in the presence of multiple alternatives. Common examples include shopping and deciding what to eat. Decision-making is a psychological construct. This means that although a decision cannot be "seen", we can infer from observable behaviour that a decision has been made. Therefore, we conclude that a psychological "decision-making" event has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

The stages of the buyer decision process were first introduced by Engel, Blackwell and Kollat in (1968). These five stages are a framework to evaluate customers' buying decision process. However, it is not necessary that customers get through every stage, nor is it necessary that they proceed in any particular order. For example, if a customer feels the urge to buy chocolate, he or she might go straight to the purchase decision stage, skipping information search and evaluation.



Stages in Decision Making Process

Problem/need-recognition

Problem/Need-recognition is the first and most important step in the buying decision. Without the recognition of the need, a purchase cannot take place. The need can be triggered by internal stimuli (e.g. hunger, thirst) or external stimuli (e.g. advertising). Maslow held that needs are arranged in a hierarchy. According to Maslow's hierarchy, only when a person has fulfilled the needs at a certain stage, can he or she move to the next stage. The problem must be the products or services available. It's how the problem must be recognized.

Information search

The information search stage is the next step that the customers may take after they have recognized the problem or need in order to find out what they feel is the best solution. This is the buyer's effort at searching the internal and external business environments to identify and observe sources of information related to the focal buying decision. The field of information has come a long way in the last forty years, and has enabled easier and faster information discovery. Consumers can rely on print, visual, and/or voice media for getting information.

Evaluation of alternatives

At this stage, consumers evaluate different products/brands on the basis of varying product attributes, and whether these can deliver the benefits that the customers are seeking. This stage is heavily influenced by one's attitude, as "attitude puts one in a frame of mind: liking or disliking an object, moving towards or away from it". Another factor that influences the evaluation process is the degree of involvement. For example, if the customer involvement is high, then he/she will evaluate a number of brands whereas if it is low, only one brand will be evaluated.

Purchase decision

This is the fourth stage, where the purchase takes place. According to Kotler, Keller, Koshy and Jha (2009), the final purchase decision can be disrupted by two factors, negative feedback from other customers and the level of motivation to comply or accept the feedback. For example, after going through the above three stages, a customer chooses to buy a Nikon D80 DSLR camera. However, because his good friend, who is also a photographer, gives him negative feedback, he will then be bound to change his preference. Secondly, the decision may be disrupted due to unanticipated situations such as a sudden job loss or the closing of a retail store.

Post-purchase behavior

These stages are critical to retain customers. In short, customers compare products with their expectations and are either satisfied or dissatisfied. This can then greatly affect the decision process for a similar purchase from the same company in the future, mainly at the information search stage and evaluation of alternatives stage. If customers are satisfied, these results in brand loyalty, and the information search and evaluation of alternative stages are often fast-tracked or skipped completely. As a result, brand loyalty is the ultimate aim of many companies.

On the basis of either being satisfied or dissatisfied, a customer will spread either positive or negative feedback about the product. At this stage, companies should carefully create positive post-purchase communication to engage the customers.

9.6 SUMMARY

It is clear from the discussion above that there are multiple decision-making processes leading the consumer to a specific purchase decision, depending on a number of factors influencing the different processes. The significance of the object in satisfying a need is determined by the situation that differs from time to time, resulting in consideration for all three factors (person, object and situation) when reflecting on involvement. Peter & Olson (1994) add that the degree of decision-making from extensive to routine purchasing behaviour depends to a great extent on the knowledge of the consumer regarding the need identified and the level of involvement with the identified need. Consumers can follow different consumer decision making processes when purchasing a product or service. The remaining section of this chapter provides a discussion on all the stages of the consumer decision-making process together with the factors influencing each stage in the process.

9.7 ADDITIONAL READING

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4. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

9.8 SELF-ASSESSMENT QUESTIONS

1. What stages do people go through in the buying process?
2. How do low involvement products differ from high involvement products in terms of the risks their buyers face? Name some products in each category that you've recently purchased.
3. What types of moods and time situations are likely to affect people's buying behavior?
4. Describe the buying patterns women exhibit versus men.

10

DIFFERENT VIEWS OF CONSUMER DECISION MAKING

STRUCTURE

- 10.1 Introduction
- 10.2 Economic View
- 10.3 Cognitive View
- 10.4 Emotional View
- 10.5 Passive View
- 10.6 Sciffman and Kanuk's Model of consumer decision making
- 10.7 Summary
- 10.8 Additional Reading
- 10.9 Self-Assessment Questions

OBJECTIVES

After completion of this lesson, the student shall know about:

1. Models of Consumers
2. Models of Consumer Behavior: General Models

10.1 INTRODUCTION

Consumers approach the marketplaces differently; they go through the buying decision process differently as it gets impacted by internal and external forces. Researchers have attempted to understand the dynamics of consumer decision making and they have classified four varying views and perspectives, the underlying forces operating within consumers that could be employed to approach the marketplace. The heterogeneity among consumers makes understanding consumer behavior to face challenge task by marketers. Hence marketers felt the need to obtain an in-depth knowledge of consumers' buying behaviour. Finally this knowledge acted as an imperative tool in the hands of marketers to forecast the future buying behaviour of consumers and devise four marketing strategies in order to create long term customer relationship. Consumer behaviour is broadly the study of individuals, or organizations and the processes consumers use to search, select, use and dispose of products, services, experience, or ideas to satisfy needs and its impact on the consumer and society. consumers are very different, they are very unique; they are the

come with different needs, wants, backgrounds, different preferences and although the decision making process is the same. The approach the process or they basically, you know orient the process through their own perspectives.

10.2 ECONOMIC MODEL

According to the economic perspective of studying consumers, the consumer is regarded as being rational. The model assumes that there exists in the market a state of perfect competition; the consumer is aware of the various alternatives; he has the knowledge and ability to rank all of these; and he finally takes a rational decision. He takes a decision and makes a choice as after taking into account the cost and benefit, and the overall value in economic terms. The economic model explains buying behavior from an economic perspective. The assumption is that resources are scarce viz. a viz unlimited needs; a consumer seeks value: he wants maximum benefit at minimum cost. The economic models showed concern as to how scarce resources were allotted to satisfy the unlimited needs and wants. Economic models can be further classified into Microeconomic models and Macroeconomic models.

Micro economic models:

The micro economic models focus on the act of purchasing; they focus on what an average consumer would purchase and in what quantity; they also ignore why and how the needs/wants get prioritized, and how the behavior is underpinned. According to the micro economic view, consumers are rational in nature and value utility. With resources being scarce, they would allocate money on their purchases in a way that satisfies them maximally. The consumer decisions are thus based on benefit to cost ratio; the consumer would settle on an alternative that provides the highest ratio in terms of marginal utility.

Macroeconomic models:

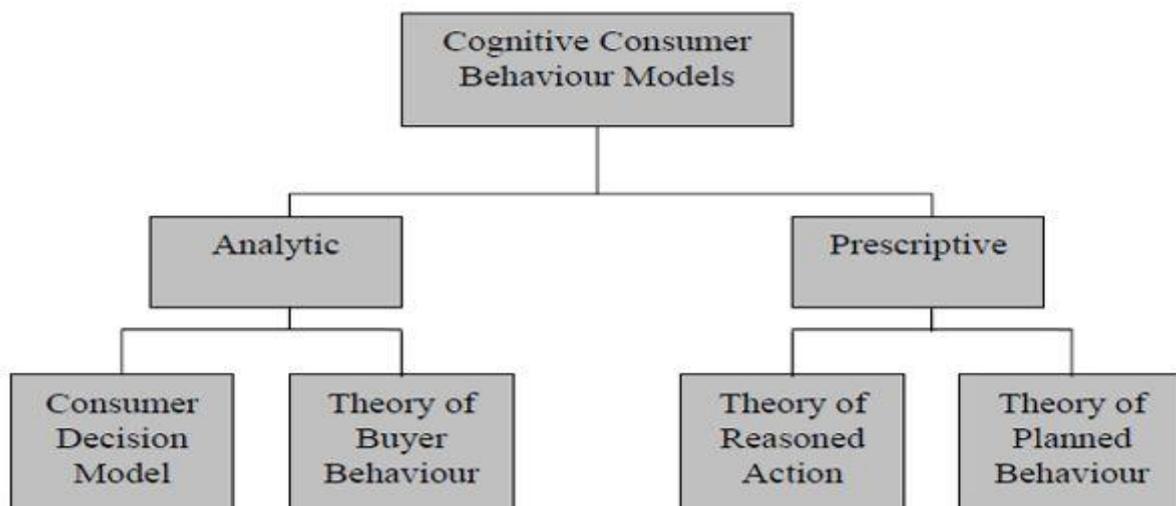
The macroeconomic models focus on the overall trend in the economy that has an impact and is also impacted upon by buying patterns. They focus on the aggregate flows in the economy. Conclusion about consumer behavior is made after analyzing such flows. This approach could also be studied with two orientations:

a) **Relative income hypothesis:** A persons' expenses are influenced by his social surrounding and group. With his income being constant, the relative expenses and the resultant savings will not change, until and unless, there is a big change in the total income. The hypothesis holds that what and how much a consumer spends is not solely dependent on income, but is influenced by peers.

b) **Permanent income hypothesis:** Even if the total income increases, people initially exhibit inertia towards spending as they want to accumulate wealth; so purchasing pattern does not change immediately. The limitations of studying consumer behavior with this orientation are that the view is silent about other forces that operate during the buying process.

10.3 COGNITIVE MODEL

The consumer is regarded as being a problem solver, who searches for products to fulfill his needs/wants. Consumer decisions are based on information gathering and processing. The consumer is believed to take decisions after a lot of thought and deliberation, so as to get maximum benefit and value. The model proposed by Leon Festinger, views the consumer as one who faces a feeling of anxiety (dissonance), while he is making a purchase; this is because he is faced with many alternatives, all of which seem desirable. Post-purchase, this dissonance increases even further. There is an imbalance in the cognitive structure; and the consumer tries to get out of this state as soon as he can. So a buyer gathers information that supports his choice and avoids information that goes against it. There are two major types of cognitive models of consumer behaviour. Firstly, Analytical Models which provide a framework of the key elements that are purported to explain the behaviour of consumers. These Models identify a plethora of influencing factors, and intimate the broad relationships between factors in consumer decision making.



Cognitive Consumer Behavior Model

10.4 EMOTIONAL MODEL

The consumer is regarded as being emotional and impulsive who takes decisions based on moods and emotions. Marketers must put in efforts and create positive mood and emotions. Consumers is the passive view; which says that consumers are basically very irrational, they are very impulsive. They easily get carried away by the selling and

promotional efforts of the marketer; these are come to self-surveying interests of the marketer. So, what this approach says is that the seller is very power full then they exert a lot of you know pressure on the consumers by an aggressive promotion and aggressive marketing and aggressive selling; and the consumer who is very irrational, very impulsive, gets carried away or gets comes to the selling and promotional efforts of the marketer. Then we have the emotional view, where the consumer is regarded as being very emotional, very impulsive; who takes purchase decisions based on his moods, based on his emotions, based on you know the feel factor or the effect. Moods, emotions, you know feelings of pleasure, displeasure, pleasantness, un-pleasantness, fun, fantasy; all of these have will have an impact upon the kind of decisions which he makes with respective to the purchase of a particular product or service offering. So the consumer is basically regardless something who is, somebody who is very emotional, very irrational and very impulsive; something in total contrast to the cognitive view. So, these are the various views or these are the various perspectives with which researchers have classified with which consumers basically enter the market place or approach the market place and enter into the decision making process.

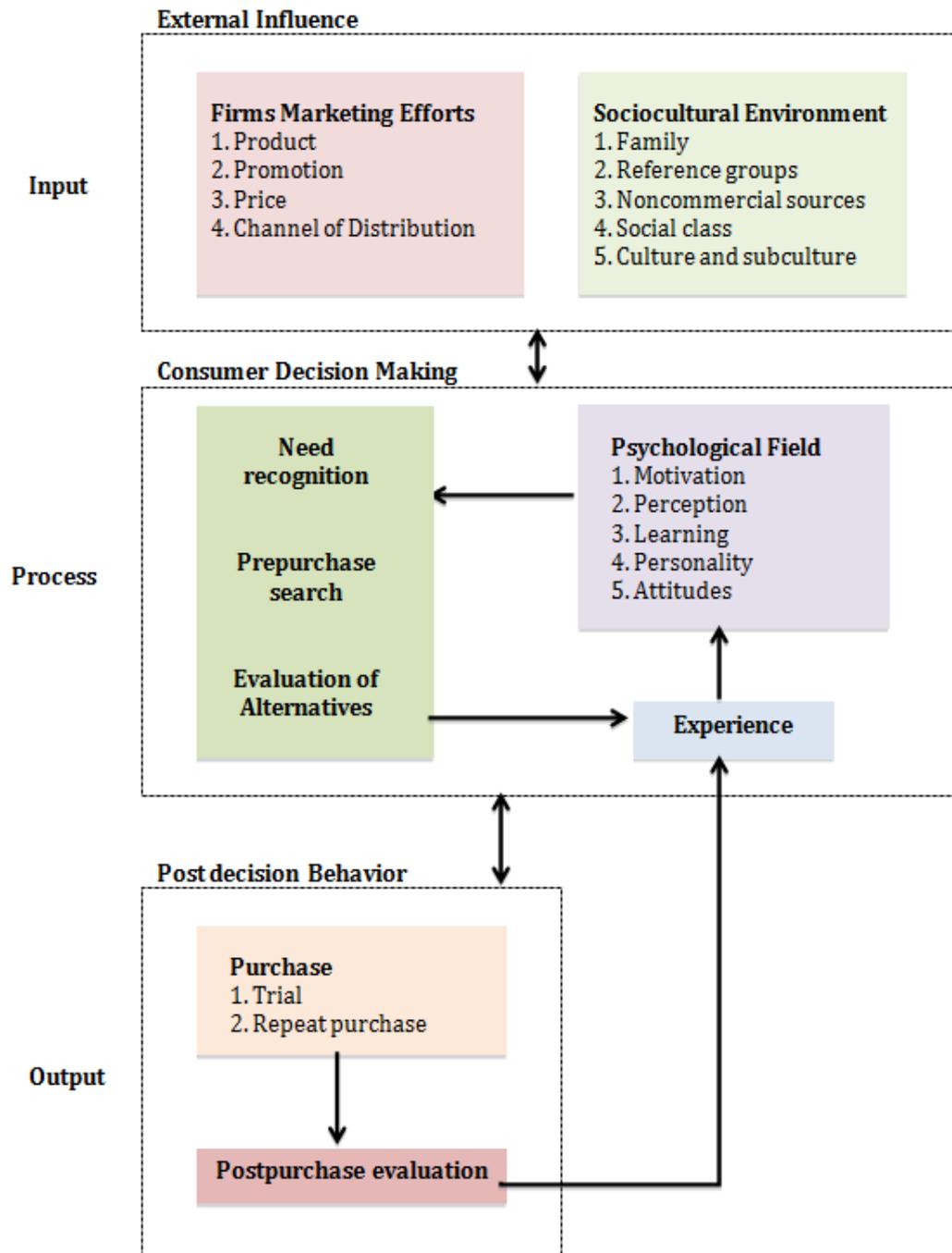
10.5 PASSIVE MAN

Here, the consumer is regarded as irrational and impulsive, who easily succumbs to the selling and promotional efforts of the marketer. It is assumed that the consumers are submissive to the self-serving interests of the marketer and the salespersons are powerful. The passive view explains the consumer basically submissive to the self-serving interest and promotional efforts of marketers. The passive view depicts the consumer basically submissive to the self-serving interest and promotional efforts of marketers. Consumers are perceived as impulsive and irrational purchasers, ready to yield to the arms and aims of marketers. At least to some degree the passive model of the consumer was subscribed by the hard deriving salesman who is trained to manipulate customer. The passive man view fails to recognize that the consumer plays an equal (if not dominant) role in many buying situations by seeking information about service alternatives and selecting the service that appears to offer greatest satisfaction.

10.6 CONSUMER DECISION MAKING PROCESS

The process of consumer buying involves three distinct stages. “The process stage of the model focuses on how consumers make decisions. The psychological factors inherent in each individual (motivation, perception, learning, personality and attitudes) affect how the

external inputs from the input stage influence the consumer’s recognition of a need, pre-purchase search for information, and evaluation of alternatives.”



Consumer Decision Making Process

This model is related to the problem solving consumer and to some extent the emotional consumer model. This model is made up of three major components:

- Input

- Process
- Output

Inputs

The input stage influences the consumer's recognition of a product need and consists of two major sources of information: the company's marketing efforts (the product itself, its price, its promotion and where it is sold) and the external sociological influences on the consumer -family, friends, neighbours, other informal and non-commercial sources, social class, and cultural and sub cultural memberships

Process Stage

The process stage of the model focuses on how consumer makes decisions. The psychological factors inherent in each individual (motivation, perception, learning, personality, and attitudes) affect how the external inputs from input stage influence the customer's recognition of a need, pre-purchase search for information, evaluation of alternatives. At this stage, the act of making a consumer decision also consists of three stages:

- (1) need recognition,
- (2) prepurchase search, and
- (3) evaluation of alternatives.

The experience gained through evaluation of alternatives, in turn, affects the consumer's existing psychological attributes. For example, the product experience includes its perception, the identification process it triggers, the cognitive associations and memories it arouses, the feelings and emotions it elicits and the evaluative judgments it brings about, hence the importance of ensuring an adequate interpretation from all age groups.

Output Stage

The output stage of the consumer decision making model consists of two related post-decision activities: purchase behaviour and post-purchase evaluation. The objective of both activities is to increase the consumer's satisfaction with his or her purchase. Before making a good decision, one should attain accurate and up to date information regarding the product and also understand the basic significance. Younger consumer generations tend to be more inquisitive and they want to know why things happen, how things work, and what they can do next. Thus, they tend to expose themselves to the Internet since their very young age.

10.7 SUMMARY

Consumers approach the marketplaces differently; they go through the buying decision process differently as it gets impacted by internal and external forces. Researchers

have attempted to understand the dynamics of consumer decision making and they have classified four varying views and perspectives, the underlying forces operating within consumers that could be employed to approach the marketplace. The economic model explains buying behavior from an economic perspective. The consumer is regarded as being emotional and impulsive who takes decisions based on moods and emotions. Marketers must put in efforts and create positive mood and emotions. The passive view explains the consumer basically submissive to the self-serving interest and promotional efforts of marketers. The process stage of the model focuses on how consumers make decisions. The psychological factors inherent in each individual (motivation, perception, learning, personality and attitudes) affect how the external inputs from the input stage influence the consumer's recognition of a need, pre-purchase search for information, and evaluation of alternatives."

10.8 ADDITIONAL READING

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6. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

10.9 SELF-ASSESSMENT QUESTIONS

1. What do you understand by the term "Models of Consumers"? What are the various views and perspectives?
2. Which are the four models of consumers?
3. Mention the two kinds of economic views in studying consumer behavior?

11

THE COMPREHENSIVE MODELS OF CONSUMER DECISION MAKING

STRUCTURE

- 11.1 Introduction
- 11.2 Nicosia Model
- 11.3 Howard Seth Model
- 11.4 Webster and Wind Model of organization Buying Behavior
- 11.5 Engel Kollat Blackwell Model
- 11.6 Summary
- 11.7 Additional Reading
- 11.8 Self-Assessment Questions

OBJECTIVES

- Understand the basic concepts relating to model
- Define what a model is
- Discuss methods of model development
- Identify different types of consumer behavior models.

11.1 INTRODUCTION

Consumers are different. Although the decision making process is the same, they have varying perspectives and this impacts the final decision. Consumer behavior models help a marketer in identifying and understanding a wide range of variables that could explain consumer behavior. In this way these models help a marketer understand and predict buyer behavior, and they help the marketer formulate better marketing programs and strategies. Researchers have attempted to study the dynamics of consumer decision making consumer behavior from varying orientations, and various models have been proposed. These models have evolved from the economic paradigm of the 1940s, to the irrational, impulsive, emotional and vulnerable social consumer of the 1950s and 1960s, to the information processor of the 1960's and 70s, to the cognitive and rational consumer post 1980's. The purchase paradigms have also evolved; there is the cognitive paradigm, where purchase is

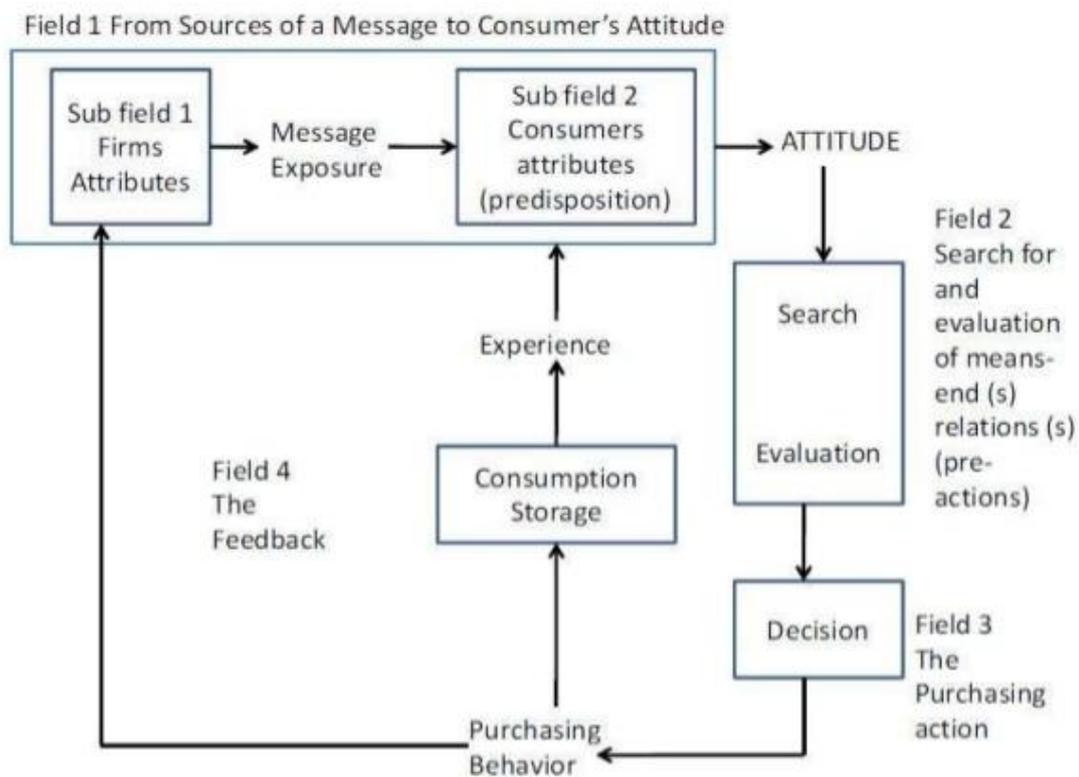
regarded as an outcome of problem solving; the reinforcement paradigm, where purchase is regarded as a learned behaviour; and the habit paradigm, where it is regarded as a pre-established routine pattern of behaviour. In this chapter we have tried to examine the various comprehensive models of consumer decision making mainly as a consumer and one as an organization. The model discussed here includes.

- The Nicosia Model
- The Howard-Seth Model
- Webster and Wind Model Of Organisational Behaviour
- The Engel Kollat Blackwell Model

11.1 NICOSIA MODEL

This model has been developed by Francesco M. Nicosia. This model is particularly used to simulate behavior electronically. According to Nicosia, a consumer's decision can best be understood by a flow chart diagram (shown in the next figure).

Contemporary Models- Nicosia Model



Nicosia uses the technique of computer flow charting to show the various forces involved and the relationship of those forces. By stating specific variables and their general

interdependencies, it offers the necessary guidelines for data collection, and the technical bases for experimental simulations of the psychological, social, and economic processes it describes and of the possible reactions of these processes to different advertising policies. It also offers the necessary background for qualified interpretations of the results of experimental simulations. 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 two 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. Field three is the act of purchase or the decision-making to buy the product. The customer buys the product and uses it. Field four highlights the post-purchase behaviour and the use of the product, its storage and consumption. The feedback from field four is fed into the firms attributes or field one, and the feedback from the experience is responsible for changing the pre-disposition of the consumer and later his attitude towards the product. Nicosia Model is a comprehensive model of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behaviour of the consumer.

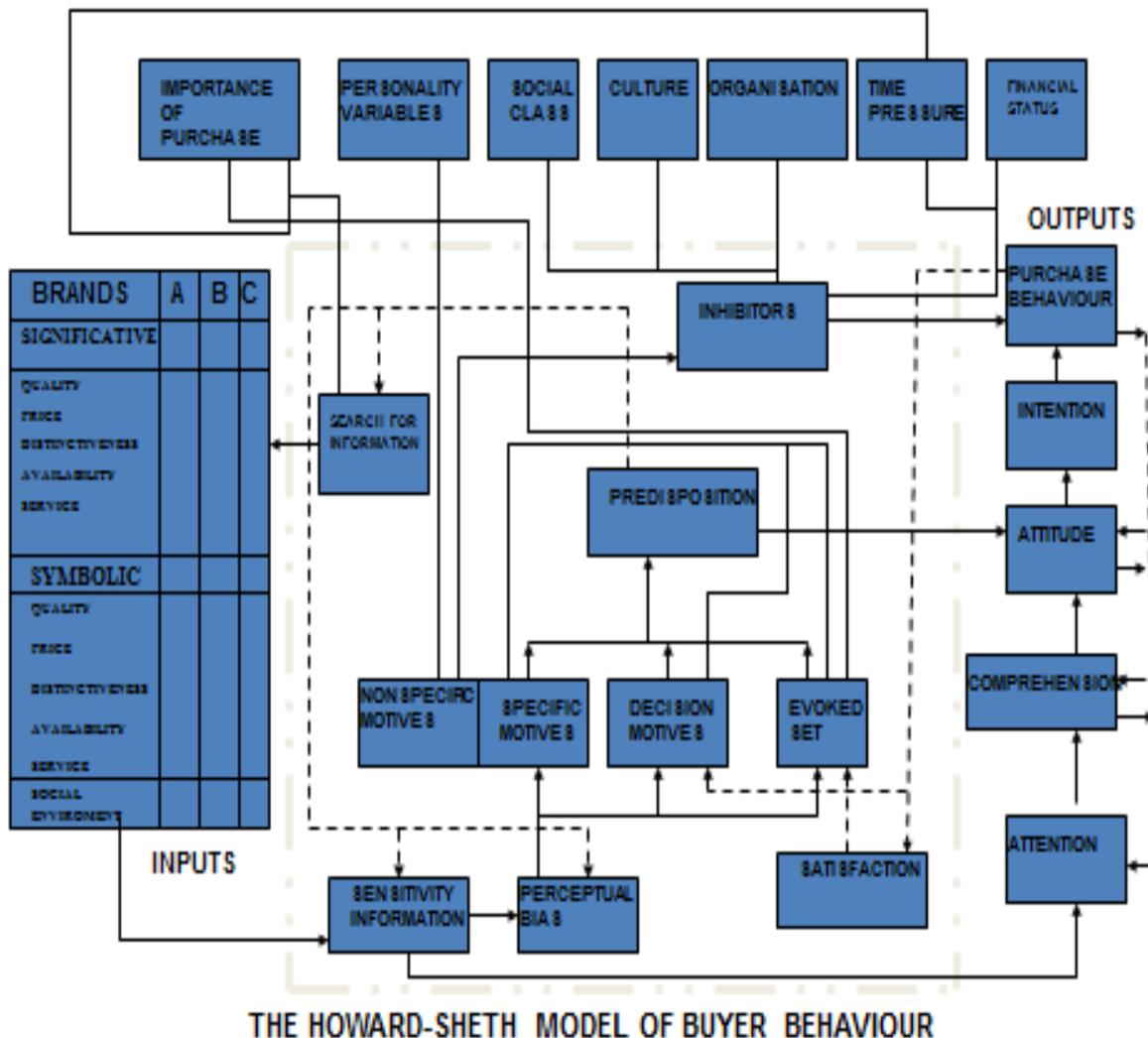
The Nicosia model has a number of strengths. First, the model recognizes the many steps which lie between attitude formation and actual behavior. Such a conceptualization helps us to understand the problems that researchers have when they find that attitudes do not always predict behavior. The model, however, does not present problems when used to make predictions. The linkages shown in the diagram indicate flows rather than causation. The model is strong in showing change in consumer attributes due to the experience of considering, choosing, purchasing, and using a product. There is intra-person feedback, i.e., consumers think of themselves and respond to their thoughts and acts. The model is not very explicit, however, in describing how and when the consumers' or firms' attributes function. To be truly explanatory, the model needs more elaboration on this point.

11.3 HOWARD SETH MODEL

The Howard and Sheth model of buyer behavior is an elaboration of a model originally developed by Mr. John A. Howard. The figure shows the simplified version of this

model explaining the behavior of an individual consumer. According to this model, buyer behavior consists of four sets of constructs, frame or variables. They are:

- Input variables
- Output variables
- Hypothetical constructs, (consisting of learning and perceptual constructs)
- Exogenous Variable



The above figure is a simplified version of the Howard Sheth Model. The exogenous variables are not shown in the diagram, because of their implied influences. An exogenous variable such as culture will have definite influence on our behavior.

Description of the Constructs of the Model

Let us now describe the variables of the model in turn.

The Input Variables:

At any point in time, the hypothetical constructs are affected by numerous stimuli from the environment. The environment is classified as (i) commercial and (ii) social. The marketing activities of various firms by which they attempt to communicate to the buyer constitute the commercial environment. From the buyer's point of view, these communications come by way of either the physical brand themselves (significant) or some linguistic or pictorial representations (symbolic) of the attributes of the brands. The two inputs are called significant and symbolic stimuli. The third important variable is social stimuli. It refers to the information that the buyer's social environment provides regarding a purchase decision. The most obvious is word of mouth communication.

The Output Variables

The output variables are labeled as: (a) attention, (b) brand comprehension, (c) attitude, (d) intention, and (e) purchase. They are described below:

- a. **Attention:** It is a response of the buyer that indicates the magnitude of his information intake. There are several methods of measuring attention such as psychophysical method.
- b. **Brand Comprehension:** It refers to buyer's verbal statement about his knowledge of brands in a product class. It could vary from the buyer's simply being aware of a brand's existence to a complete description of buyer's descriptive meaning of the brands.
- c. **Attitude:** Attitude is the buyer's verbal evaluation of a brand's potential to satisfy his motives (his description of the connotative or implied meaning of a brand).
- d. **Intention:** It is the buyer's expectation, expressed verbally, that, given his information about all the aspects of a buying situation and his predictions about the future states of the environment, he will buy the brand he likes most next time he is motivated to buy.
- e. **Purchase:** Purchase behavior refers to the overt act of buying or purchasing a brand.

Hypothetical Constructs

- We may classify the hypothetical constructs into two classes: Those having to do with learning (learning constructs).
- Those that have to do with perception (perceptual constructs).

Perceptual constructs serve the function of information processing, where the learning constructs serve the function of concept formation. The following paragraphs describe these two types of constructs:

Learning Constructs

Learning constructs are labeled as: (i) motives, (ii) brand comprehension, (iii) choice criteria, (iv) attitude (toward the brand), (v) intention (to buy the brand), (vi) confidence (in judging brands) and, (vii) satisfaction (with the purchase of the brand). Let us now look at each of them in turn:

Motives: Motives are goals of the buyer impinging upon a buying situation. They are derived from the biogenic and psychogenic needs, wants, and desires of the buyer.

Brand Comprehension: It refers to knowledge about the existence and characteristics of those brands that form the buyer's evoked set of alternatives. The brands that become alternatives to the buyer's choice decision are generally small in number collectively called his evoked set.

Choice Criteria: Choice criteria serve the function of organizing and structuring the buyer's motives, so that motives that are relevant to this product class are interrelated and ordered in terms of their relative importance to him. Choice criteria are the buyer's mental rule which he utilizes to evaluate brands as goal objects.

Their function is to generate appropriate attitudes toward brands, so that the brand with the greatest favorable attitude is potentially most satisfactory to him. Choice criteria are learned, and there are two broad sources of learning. They are: actual experience and information from commercial and social environment.

Attitude: Attitude refers to buyer's relative preferences of brands in his evoked set based on his evaluative beliefs about these brands as goal objects.

Intention: Intention refers to buyer's forecast about as to when, where, and how the buyer is likely to buy a brand. It includes possible modifications of buyer's attitude toward brands in terms of inhibitory contingencies that may be presented if the buyer bought a brand. There are five inhibitory situations viz. high price of brand, lack of availability of the brand, time pressure on buying, the buyer's financial status, and social influences brands in his evoked set based on his evaluative beliefs about these brands as goal objects.

Confidence: Confidence refers to the degree of certainty the buyer perceives toward a brand. This certainty may relate to his brand comprehension, his attitude toward the brand, his

intention to buy the brand and his post purchase evaluation of the brand (purchase experience). So confidence is related to the above.

Satisfaction: Satisfaction refers to the degree of congruence (harmony) between actual consequences from purchase and consumption of a brand and what are expected from it. If expected is less than the actual, he will be satisfied.

Perceptual Constructs: Another set of constructs serves the function of information procurement and processing relevant to a purchase decision. Information can come from any one of the three inputs such as significant commercial stimuli, symbolic commercial stimuli, and social stimuli. Perceptual constructs are labeled as follows:

Attention: Attention refers to the opening and closing of sensory receptors that control the intake of information. Attention acts as a gatekeeper to information entering into the buyer's mental state. It thus controls the quantity of information input. In the figure, attention is a function of two other constructs - stimulus ambiguity and attitude.

In fact, however, several other constructs such as confidence, goal conflict etc. are also its determinants. Most of these mediate their influence by way of stimulus ambiguity.

Stimulus Ambiguity: Stimulus ambiguity refers to the perceived uncertainty and lack of meaningfulness of information received from the environment. It affects attention and overt search constructs. Stimulus ambiguity may change in a single communication, particularly if it is verbal as in radio and television commercials.

Perceptual Bias: The buyer not only selectively attends to information, but actually distorts it once it enters his mental state. In other words, meaning of information is altered by the buyer. This aspect of perceptual process is summarized in perceptual bias. The buyer may distort the cognitive elements contained in information to make them congruent (suitable) with his own frame of references as determined by the amount of information he already has stored. Most of the qualitative change in information arises because of feedback from various learning constructs such as motives, attitude, brand comprehension, and choice criteria.

Overt Search: The active seeking of information can be termed as the overt search. During the total buying phase, which extends over time and involves several repeat purchases of a product class, there are stages when the buyer actively seeks information. The active seeking of information occurs when the buyer senses ambiguity of the brands in his evoked set. The ambiguity of brands exists because the buyer is not certain of the outcomes from each brand. In other words he has not yet learned enough about the alternatives to establish an expectancy of potential of the brands to satisfy his motives. He may also find that two brands are equally

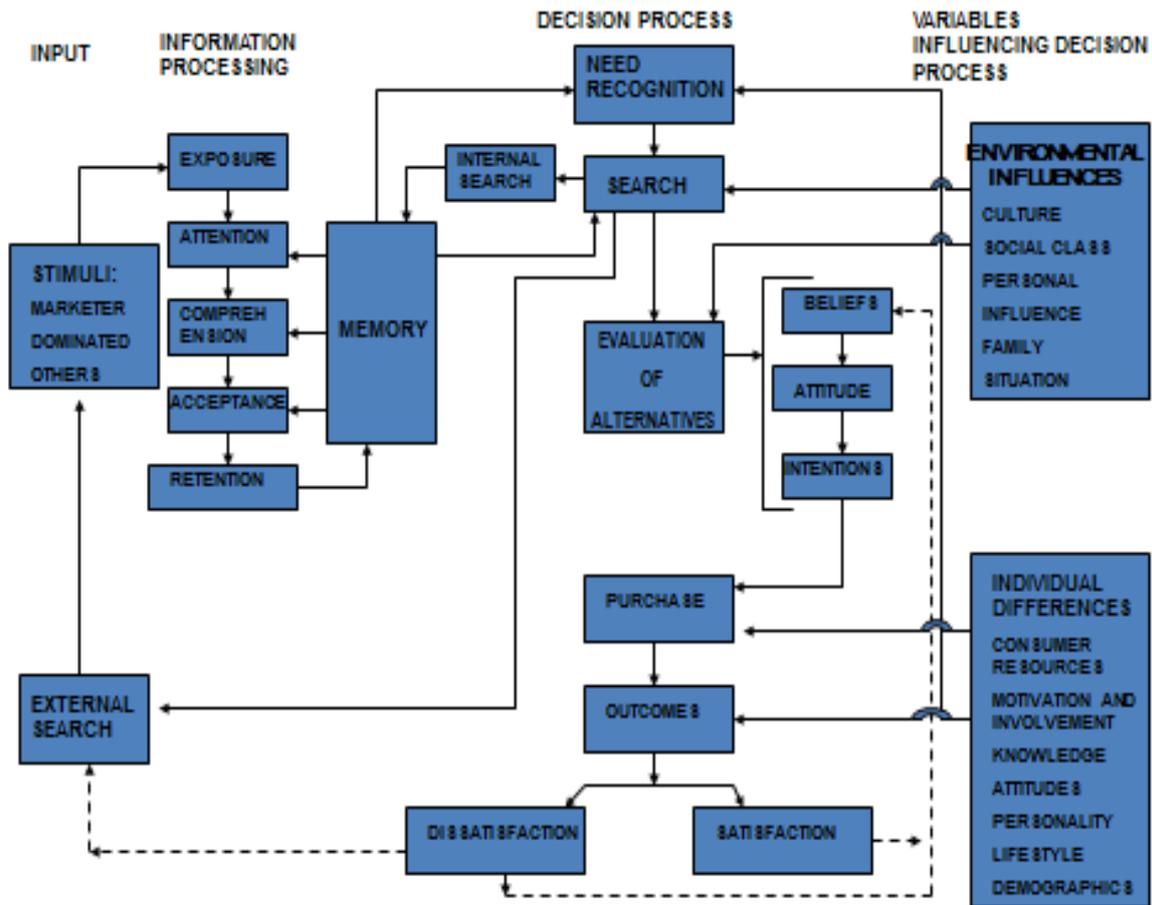
attractive and he is undecided which one to choose. In all such situations, the buyer will search for information.

The Howard Sheth Model has added a social negotiation process and has in this respect extended the original model. Nevertheless, many of the problems of the Howard Sheth model remain. These include problems with insufficient explanation. For example, it is not clear when causal relationships occur, how they operate, or what weights are associated with the variables shown in the model.

11.4 ENGEL KOLLAT BLACKWELL MODEL

This model is also developed based on learning processes as the Howard Sheth model. According to this model, different types of search behavior occur, depending on how routine or unusual the purchase choice is. Emphasis is given, in this model, on the information search process. This model is known as the multi-meditational model because the interaction of quite a large number of variables is shown between consumer's exposure to the purchase related stimulus and the final decision outcomes.

This model includes five principal stages: (1) problem recognition; (2) external search; (3) alternative evaluation; (4) purchase processes; and (5) post-purchase evaluation. This formulation attempts to describe the behavioral processes that occur from the stage where consumers recognize that some decision is necessary to the stage where post-purchase evaluation of the brand and its attributes affects those attitudes, values, and personality characteristics stored in the central control unit.



THE ENGEL-BLACKWELL-MINIARD MODEL OF CONSUMER BEHAVIOUR

This model may also be described in another way. The basic components of the model are, stimuli, processing of information, the decision process, and environmental influence. The stimuli encourage the consumer to become aware of information or a product.

After filtering the information, the consumer evaluates it and forms an attitude. When a problem situation arises (e.g., when a person needs to find a marriage day gift for someone), the person searches through the information stored in memory and evaluates the alternatives (flowers, dinner set, ornaments etc.). If not enough information is stored, the person searches for additional information before coming to a decision. If the decision is routine, little or no external search or post-purchase evaluation takes place. Environmental influences affect whether the person continues through the output decision process. These influences include income, family, social class etc. and physical factors.

There are five distinct aspects of consumer decision making according to the EKB model:

Input

Information Processing

Decision Process

Decision Process Variables

External Influences

The above aspects have been tried to be put to use to demonstrate the consumer decision making process in buying a Mobile phone.

1. Input

The input stage is generally the data collection stage of the consumer decision making process. The consumer is constantly exposed to various stimuli and information about various products. These stimuli include marketing ads in newspapers, TV, magazines, people around us and feedback on websites, social media, etc., and are all part of the data that a consumer receives. The input may be actively sought by the consumer if s/he is already willing to buy a product or passively when s/he is involuntarily exposed to marketing stimuli and information created by the marketers or by the environment and people around. This information forms the 'awareness set' of products for the individual.

2. Information Processing

This stage involves the assimilation and processing of data captured in the input stage and aides in rational decision making. The consumer gets exposed to various stimuli, some of which grab his attention. The stimuli information and information which the consumer already has in his/her memory from experience and past interactions forms the complete dataset which the consumer uses to further processing. The information is filtered, understood and classified by the consumer which leads to his/her acceptance or rejection of certain data and stimuli which do not cater to his needs and perception of the product which he seeks. The data accepted leads to the consumer forming an opinion about the product. This processed form of opinion is retained by the consumer in his memory for further usage. In terms of mobile phones purchase the information may be received from TV ads, magazines, newspaper columns, from friends, websites and personal observation. All this information along with the already existing knowledge in the consumer's memory forms the data set to be processed. This data set is then evaluated according to some basic intuitive evaluation metrics which the consumer subconsciously has in his mind and this leads to the person rejecting some information as not important and making a basic idea in his/her mind about the product which s/he would like to purchase. This stage leads to the formation of the 'consideration set' of products.

3. Decision Process

As soon as the customer feels a need due to some problem he is facing and has the ability to buy (at present or in probable near future), he starts external search for information regarding the various options available in the market to satisfy his need. The information collected externally along with processed information stored in the memory lead to the consumer evaluating products according to his evaluative criterion. Some products in the consideration set are rejected and the remaining form the 'choice set' of the consumer from which to choose from finally. Consumer's beliefs, attitude and intention guide his evaluation. From this choice set the consumer finally chooses a product which is bought. This acquiring of the product and its usage subsequently may lead to satisfaction for the customer or dissonance, in which case the consumer is not sure whether he bought the right product and hence, s/he goes back to the gather information to reassure himself of his purchase decision. The final choice of product may not only be the result of person's beliefs, attitude and intention but may well be guided by some 'unanticipated circumstance' which forces the customer to buy a particular product instead of the one s/he narrowed down upon.

In case of mobile phones, the consumer would want to know of the various brands available in the market according to his buying capacity and needs. This would be determined by various benefits that the consumer wants from the mobile like suitable price, battery life, style, screen size, internet access capacity, handling, etc. S/he would also look at various other features like the service network of the companies.

4. Decision Process Variables

There are various decision process variables which influence the consumer's decision making process. The normative compliance and informational influence is one of them. The person goes by what his/her peer group and people around him think. The societal and peer group opinion is important to the person and influences his choice. This variable also impacts the purchase intent of the person, ultimately impacting product choice. The person also follows a certain lifestyle which earns him/her status in the society and his evaluative criteria are guided by his/her sense and understanding of his image and the image s/he would want to portray in the society. These evaluative criteria impact the person's beliefs which in turn influence his choice and search. The person's motive of purchase is influenced by all the above variables and ultimately results in the person's understanding and recognition of the problem he is facing. All these factors make the decision process more complex and result in the person to choose a certain type of product which satisfies his 'want'. A mobile phone

purchaser would be influenced by the image the people would create of him/her when they see him/her using a particular mobile.

5. External Influences

The model talks of three external influences which affect buying behavior of a person. The 'cultural norms and values' along with 'reference group/family' impact a person's normative compliance and lifestyle. The person has to abide by the rules laid down by them and has to project a certain image to be received the respect and status that he enjoys in the society. Often, new products are bought with a view to increase one's respect in the society and enhance one's self-image. Hence, these factors are critical in the person's choice of the product to be bought. Another important factor may be 'unanticipated circumstances' which may totally alter one's purchasing decision. The impact of all these factors are critical to the decision making process. Hence, the person is not only influenced by the product attributes but is also guided by external factors to make a choice of the product to be bought. The stimuli and constant information received along with that stored in the memory is assimilated and processed to arrive at the possible options from which to choose. Thus, all five aspects holistically define the consumer's decision making process.

11.5 SUMMARY

The consumer models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. They refer to how the varying orientations impact the buying decision process and overall buyer behavior. Models believes that behavior is deeply affected by the learning experiences of the buyers; and learning is a product of information search, information processing, reasoning and perception. Reinforcement leads to a habit formation and the decision process for an individual becomes routinized, leading to brand loyalty. Consumers also learn through trial and error and resultant experiences that get stored in our memory. Consumers approach the marketplaces differently; they go through the buying decision process differently as it gets impacted by internal and external forces. Researchers have attempted to understand the dynamics of consumer decision making and they have classified four varying views and perspectives, the underlying forces operating within consumers that could be employed to approach the marketplace.

11.7 ADDITIONAL READING

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3. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
4. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
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11.8 SELF-ASSESSMENT QUESTIONS

- I. What do you understand by the term “Models of Consumers”?
- II. Define a consumer behavior model. Explain the methods of model development with diagram.

12

DIFFUSION OF INNOVATION

STRUCTURE

- 12.1 Introduction
- 12.2 Meaning and Definition of Diffusion of Innovation
- 12.3 The Diffusion Process
 - a. Innovation
 - b. Product Characteristics which Influence Diffusion
 - c. The Channels of Communication
 - d. The Social of system
 - e. The Social System
 - f. Time
- 12.4 Summary
- 12.5 Additional Reading
- 12.6 Self Assessment Questions

OBJECTIVES

1. Illustrate how the diffusion of innovation theory influences consumer adoption of products and services.
2. List the four main elements that influence the spread of new ideas and technologies.
3. Describe, discuss, analyze and classify different types of innovations.

12.1 INTRODUCTION

Faced with a dynamically changing environment, marketers are always with regard to new product development. This could result in modification ranging from slight to moderate to large or the continuum, or even result in totally new product and service offerings. The two questions that face a marketer are,

- i) whether the modified/new product and service offering would be accepted by the segment(s)
- ii) how quickly would the product and service offering be accepted by the segment(s).

While the first pertains to what is referred to as diffusion, the second pertains to what is known as adoption. The two concepts, the dynamics and the implications for a marketer are explained in this module. Products tend to go through a life cycle. Initially, a product is introduced. Since the product is not well known and is usually expensive (e.g., as microwave ovens were in the late 1970s), sales are usually limited. Eventually, however, many products reach a growth phase sales increase dramatically. More firms enter with their models of the product. Frequently, unfortunately, the product will reach a maturity stage where little growth will be seen. For example, in the United States, almost every household has at least one color TV set. Some products may also reach a decline stage, usually because the product category is being replaced by something better. For example, typewriters experienced declining sales as more consumers switched to computers or other word processing equipment. The product life cycle is tied to the phenomenon of diffusion of innovation. When a new product comes out, it is likely to first be adopted by consumers who are more innovative than others—they are willing to pay a premium price for the new product and take a risk on unproven technology. It is important to be on the good side of innovators since many other later adopters will tend to rely for advice on the innovators who are thought to be more knowledgeable about new products for advice.

12.2 MEANING OF DIFFUSION OF INNOVATION

Many firms today rely increasingly on new products for a large part of their sales. New products can be new in several ways. They can be new to the market no one else ever made a product like this before. For example, Chrysler invented the minivan. Products can also be new to the firm another firm invented the product, but the firm is now making its own version. For example, IBM did not invent the personal computer, but entered after other firms showed the market to have a high potential. Products can be new to the segment—e.g., cellular phones and pagers were first aimed at physicians and other price-insensitive segments. Later, firms decided to target the more price-sensitive mass market. A product can be new for legal purposes. Because consumers tend to be attracted to “new and improved” products, the Federal Trade Commission (FTC) only allows firms to put that label on reformulated products for six months after a significant change has been made.

The diffusion of innovation refers to the tendency of new products, practices, or ideas to spread among people. Usually, when new products or ideas come about, they are only adopted by a small group of people initially; later, many innovations spread to other people. Theory that every market has groups of customers who differ in their readiness and

willingness to adopt a new product and, that an innovative product spreads (diffuses) through a market not in one straight course but in successive, overlapping waves. Most populations show the following pattern in the adoption of new consumer goods: innovators (2 percent of population), early adopters (14 percent), early majority (34 percent), late majority (34 percent), and laggards (16 percent).

The concept of diffusion of innovation refers to the spreading of consumption of an innovation, through communication channels in a social system. An innovation is a product, service, idea, process, behavior, or any other object which is considered new by consumers. Innovations require acceptance from consumers to be successful, but they also require them to change their existing behavioral pattern and habits. Based on change required and frequency of occurrence, innovations can be discontinuous (maximum change and rare), dynamically continuous (moderate change and infrequent), or continuous (least change and frequent) in nature. Innovations are sometimes resisted by consumers because of barriers such as value, risk, image, etc.

In such a case, some modification can facilitate its acceptance. Communication channels are the tools which help the marketer reach the consumer, and the consumer to reach out to other consumers in a social network. Information can flow through impersonal (mass media), interpersonal (salespeople), and personal channels (word-of-mouth) of communication.

A social system is a social environment in which consumers with similar beliefs co-exist. A social system has a social hierarchy and a communication network which decide the flow and speed of adoption through the social system. Time is the factor which connects the adoption process, the consumers' innovativeness, and the rate of adoption. Diffusion of innovation and subsequent adoption is impacted by socio-economic, cultural, technological as well as legal factors; it is also impacted by individual determinants like psychological variables and demographics; these are all forces are in most cases “uncontrollable” by the marketer. There are also the more relevant forces, related to the innovative product and /or service which constitute what is called the “controllable”, and which are in the hands of the marketer; these could be in the form of marketing communication or interpersonal communication etc. and could be used by the marketer in a manner that facilitate quicker and easier acceptance of the innovative offering. Apart from these, there are also certain characteristics that an innovation possesses that can impact the diffusion and adoption

process. Researchers have identified certain factors that can act as triggers and some that can act as barriers to the diffusion and adoption process.

12.3 DIFFUSION PROCESS

There are certain product and service characteristics that affect the diffusion process and can influence consumer acceptance of new products and services; the five factors that can impact the diffusion process and the rate of adoption are relative advantage, compatibility, complexity, trialability, and observability.

a) **Relative advantage:** The relative advantage of the innovative product/service offering over already existing products/services accelerates its rate of adoption by the target market. The degree to which customers perceive a new product/service as superior to similar existing products determines the relative advantage. A product/service that provides advantage over other existing products is indicative of being superior to existing alternatives, and thus higher in terms of “value”. The more radical a change, and the higher the relative advantage, the faster would be the diffusion. The relative advantage may lie in terms of it being a modified product (with better features, attributes, benefits, form etc), or at a lower price (better deals, discounts, terms of payment, warranty and exchange), or more accessible in terms of availability (physical store format, or virtual electronic format), or better communication. Thus, while product-based advantages are more attractive in nature, the other components of the marketing mix like price, place and promotion can also provide a basis for relative advantage. Examples of innovations that provide relative advantage are, flash drives versus compact discs, laptops versus computers, or digital libraries versus traditional libraries, ATMs versus bank teller counters.

b) **Compatibility:** The compatibility of the innovative product and service offering with the existing backgrounds, behavior and lifestyle patterns of consumers also affects its adoption by the consuming public. The compatibility of a product/service measures how closely it relates to needs, value systems and norms, lifestyles, culture etc. (The higher the level of compatibility the quicker the diffusion and the lower the compatibility the slower the diffusion). A product will diffuse more quickly if it does not require consumers to change their values, norms, lifestyles, cultures and day to day behaviors. Continuous and dynamically continuous innovations are higher on compatibility than discontinuous innovations. Fast food in the form of pizzas, burgers, noodles etc. took considerable amount of time to get diffused into the Indian society, as it contrasted heavily with the dal roti meal concept. The pace of adoption quickened in the 1990s and more so in the 2000s with the new

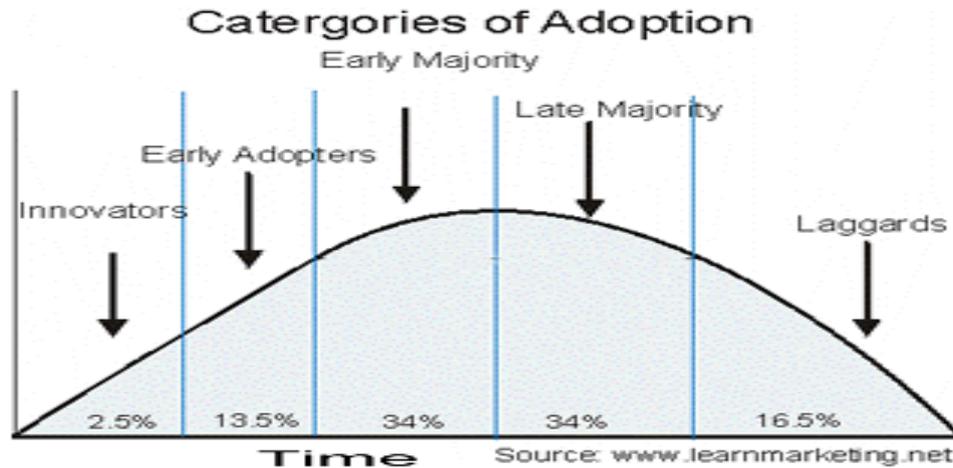
generation, and their preference towards packaged foods and fast food. Another example that can be mentioned here is, coconut oil as a medium of cooking would be incompatible to people staying in North India. Even if positioned as “healthy and natural cooking medium”. It would be slow to penetrate and may even fail if launched in North India.

c) **Complexity:** The level of complexity in a product purchase and usage also affects the diffusion process. An innovative offering would be easily diffused when there is ease of understanding, purchase and use. The easier it is to understand and use a product, the more likely it is to be accepted quickly, and vice versa. India, as it is culturally more compatible.

d) **Trialability:** The ease with which the product or service can be tested and tried also determines the rate of acceptance. The higher the degree of trialability, the greater would be the rate of diffusion. This is because the prospects get an opportunity to try the product/service, assess it and decide to accept/reject it. Trialability can be encouraged by providing free samples, or providing smaller packs and smaller-than-average sizes, (for FMCG and household goods) or even through demos and test runs (for consumer durables). Consumers could try out the innovative offering, evaluate it and then decide on a purchase commitment by accepting/rejecting it. Trials leading to purchase can be encouraged through guaranty and warranty schemes. Such trials encourage a product/service to be diffused easily.

e) **Observability:** Observability refers to the ease with which the product can be observed. It is an innovative product refers to the degree to which a product/service’s benefits can be observed, imagined and perceived by a potential consumer (The higher the degree of observability the greater the chances of the innovative offering being accepted by the prospects). Those new product offerings that are i) tangible, ii) have social visibility, and iii) whose benefits are readily observed (without much time gap), are more readily diffused than those that are intangible, or have no social visibility or whose benefits accumulate over long periods of time.

Thus, relative advantage, compatibility, complexity, trialability, and observability have an impact on the rate of diffusion. While all these factors relate to the product, they are dependent on consumer perception. A product/service offering that is relatively superior to existing ones, is more compatible to existing consumption behavior and usage, is less complex, easy to use and observable, is more likely to be purchased quickly by the public, than when it is not.



Innovator Stage

Roger's Diffusion of Innovations theory states that Innovators are the first to purchase a product and make up 2.5% of all purchases of the product. Innovators purchase the product at the beginning of the life cycle. They are not afraid of trying new products that suit their lifestyle and will also pay a premium for that benefit. Sales to innovators are not usually an indication of future sales as innovators simply buy because the product is new.

Early Adopters Stage

The next groups of purchasers are called Early Adopters and they make up 13.5% of purchases. This group of purchasers adopts early but unlike innovators, adoption is after careful thought. Early Adopters are usually opinion leaders in their circle (of friends, family and colleagues) so adoption by this group is crucial for the success of the product. Early adopters help the product's journey in becoming "socially acceptable".

Early Majority Stage

The Early Majority are a cautious group of purchasers, making up 34% of purchases. The Diffusion of Innovations theory states that this group will not buy a product until it has become "socially acceptable". Early majority purchases are needed for the product to achieve wide spread acceptance.

Late Majority Stage

Late Majority makes up another 34% of sales and they usually purchase the product during the late stages of the product's life cycle. They are more cautious than the early majority and will only buy after the majority of people have purchased the product.

Laggard Stage

According to the Diffusion of Innovations theory the final groups of people to purchase a product are called Laggards. Laggards make up 16% of total sales and purchase

the product near the end of its life. Some laggards will never purchase a product, whilst others will buy it because their existing product is broken and it cannot be repaired or replaced with an identical product. Laggards may wait to see if the product will get cheaper and by the time they purchase the product a new version of the product is often on the market.

Adoption Process

Adoption process is a series of stages by which a consumer might adopt a new product or service. Whether it is Services or Products, in today's competitive world, a consumer is faced with a lot of choices. How does he make a decision to adopt a new product is the Adoption process. There are numerous stages of adoption which a consumer goes through. These stages may happen before or even after the actual adoption.

Awareness: This is the area where major marketers spend billions of dollars. Simply speaking, if you are not aware of the product, you are never going to buy the product.

Interest and Information Search: Once you are aware, you start searching for information. Whether it is your daily soap, your car or for that matter your home, you won't buy it unless you know about it.

Evaluation / Trial: Evaluation is wherein you test or have a trial of the product. This is pretty difficult in services as services are generally intangible in nature. However service marketing managers do find ways of offering Trial packs to users. Comparatively, it is pretty easier in Product marketing and finds a major usage in BTL (Below the Line) sales promotion.

Adoption: The actual adoption of the product wherein the consumer finally decides to adopt the product.

Stage	Buyer's response
Awareness	The buyer becomes aware of the product
Interest	The buyer seeks information and is receptive to learning about the product
Evaluation	The buyer considers the product's benefits and decides whether to try the product
Trial	The buyer examines, tests, or tries the product to determine if it meets his or her needs
Adoption	The buyer purchases the product and can be expected to use it again whenever the need for this general type of product arises

Adoption Process

The Barriers to the Diffusion Process

The basic barriers to the diffusion process and subsequent adoption are as usage, value, risk and psychological factors.

a) **Usage:** "Usage" as a barrier to innovation diffusion and adoption is said to exist when the social system (the target market) finds it incompatible to the existing usage and consumption behaviors and thus, finds it difficult to accept and use; in other words, they find it to be incompatible with their existing behaviors. The barrier is more psychological, based on deep rooted values, beliefs, attitudes and perception, resultant in such behavior of non-acceptance and non-usage.

b) **Value:** Consumers could also resist acceptance of an innovation, as they may feel low about the perceived value; consumers may perceive the new product/service offering to be the same as existing offerings, and "nothing new" or "better in value." For example, while assessing mobile charges, people compare the post-paid plans with the pre-paid plans in terms of rental as well as call charges, and conclude that the former are cheaper, inspite of rental being high.

c) **Risk:** Risk also acts as a barrier to diffusion of innovation. Consumers show reluctance to use an innovative product/service offering out of fear of taking risks. There could be six types of risks that a consumer could face, viz., functional risk (would the product perform as expected), physical risk (would the product usage and or consumption pose a threat), social risk (would it cause risk of social embarrassment), financial risk (would the product will be

worth the cost), psychological risk (would the innovation hurt consumers' ego), and time risk (would it lead to wastage of time spent while making the purchase).

d) **Psychological factors:** Psychological factors also prevent a consumer from adopting a new product/service offering. These factors relate to a person's background, attitude and belief, perception, values, lifestyles, culture etc. They may find the innovation to be psychologically threatening. The two common threats are i) tradition barrier, and ii) image barrier.

12.4 SUMMARY

As mentioned above, innovators are those consumers' who are the first to go and purchase a new product or service offering; they comprise 2.5 percent of the target market(s) adopters, and they purchase the new product and service offering not because they possess a need, but because they desire new ideas and concepts, and seek product and service innovations. They have the interest and inclination to buy the "new"; and also have the purchasing power and the access to do so.

Innovators are desirous of new products/services in a particular category, and so they seek formal information from marketers, and informal information from their peers/friends/colleagues. Because of their interest in the product/service category, their search for information is active and ongoing, followed by deliberation, evaluation and assimilation of information.

Diffusion of Innovation and Adoption, are important subjects that needs to be addressed by a marketer. While the first pertains to whether the modified/new product and service offering would be accepted by the segment(s), the second pertains to how quickly would the product and service offering be accepted by the segment(s). The marketer needs to understand the dynamics of the two processes, so as to be able to plan his marketing mix and his strategies.

While the initial objective to target the innovators, the early adopters and the early majority cannot be ignored. The various categories of the consumers have to be dealt with separately. While innovators can be lured through rational and logical messages over print media, with fact bearing messages, the rest have to be lured with social and emotional appeals, with emotional messages over the audio visual. The innovators, later on begin to take the role of opinion leaders. They can be used by marketers to their advantage; but this could happen only if the innovators are happy and satisfied with the innovative product/service offering. The marketer also needs to understand the stages of adoption; and

the objective of the marketer should be to first make the consumer aware of the innovative offering, and then elicit a trial that is satisfying. He should help the consumer move through these stages. He could encourage trial through free samples, small packs or even discounts. Once the consumer finds the experience satisfying, he would move towards purchase, and repurchase, and end up being loyal.

12.5 ADDITIONAL READING

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12.6 SELF-ASSESSMENT QUESTIONS

1. Write a note on the profile of an Innovator.
2. Mention the five factors that can act as triggers to the diffusion/Adoption process.
3. What do you mean by Image Barrier?