

Consumer Behaviour

Unit 4

Factors influencing Consumer Behaviour

- ▶ Factors are classified into 4 Parts:
- ▶ Economic Factors
- ▶ Personal Factors
- ▶ Cultural and Social Factors
- ▶ Psychology Factors

Factors influencing Consumer Behaviour

Economic Factors	Personal Factors	Psychological factors	Cultural and Social Factors
Personal Income -Discretionary Income, Disposable Income	Age	Motivation	Culture
Family Income	Occupation	Involvement	Subculture
Expectations regarding future income	Life Cycle Stage	Perception	Social Class
Liquid asset & consumer credit	Lifestyle	Learning	Social Groups

Economic Factors Influencing Consumer

Income

- ▶ Personal Income–Total Income of the Consumer
- ▶ Discretionary Income–Income available to a consumer after deducting taxes and basic cost of living.
- ▶ Disposable Income–Income available with consumer to spend according to his wishes.
- ▶ Family Income– Income of the family, Lower income families have less demand than prosperous families.

- ▶ Consumer Expectations Regarding Future Income
- ▶ Availability of Liquid Assets with the consumer
- ▶ Consumer Credit– Availability of consumer credit, Credit Policies
- ▶ Level of Standard of Living

A consumer demands more and spends more with increase in his income or expectations of future profits or availability of liquid cash or availability of credit but saves and demands less in its absence. The nature of consumption and buying pattern of a consumer is also affected by the income of the family and the level of standard of living.

Personal Factors Influencing Consumer

Behaviour

- ▶ Age– People of different ages have different needs.
- ▶ Occupation– Professionals, businessman, salaried–workers have different demands.
- ▶ Life Cycle Stage– Newly born, Teenager, Bachelor, Married, Parent, Grand parent
- ▶ Lifestyle– Achievers, Strugglers, Strivers, Makers
- ▶ Personality– Aggressive, shy, Introvert, Extrovert, Conservative, Experimental
- ▶ Self Concept– One's Perceptions towards themselves

Cultural Factors affecting Consumer Behaviour

- ▶ Culture–Culture is basically the way of living and thinking pattern that is followed from generation to generation in a society. It includes knowledge, beliefs, traditions, morals, values, customs and other such habits that are acquired by people as members of a society
- ▶ Eg. Indian Culture is entirely different from cultures of other Asian, Arabic and western Countries.

- ▶ Subculture– Subculture is a segment of culture which helps a marketer to know another person's culture either psychologically, socially or through mass identification.
- ▶ Subculture consists of a group of people within a culture who exhibit similar buying behaviour and have similar beliefs.
- ▶ Eg. Within India, Buying Behaviour of the people of the north India can be differentiated from the people of the south India.

- ▶ Social Class– Social Class segment the market on the basis income criteria and standard of living. It refers to divisions of members of a society on the basis of education, occupation, income etc. Usually people belonging to the same class have similar preferences in case of choice of residence, entertainment, luxury products etc.
- ▶ Eg. Buying behaviour of the upper class can be easily differentiated from the middle and lower class.

- ▶ There are three different social classes in our society. They are upper class, middle class and lower class. These three social classes differ in their buying behaviour.
- ▶ Upper class consumers want high-class goods to maintain their status in the society.
- ▶ Middle class consumers purchase carefully and collect information to compare different producers in the same line .
- ▶ Lower class consumers buy on impulse.
- ▶ Again there could be education considerations. A rich but not so educated people will not normally buy a computer. We should consider another factor of social mobility where a person gets up in the social ladder (for example, poor can become middle class and middle class become rich or the children of uneducated family can attain higher education) or

Family:

- ▶ There are two types of families in the buyer's life viz. nuclear family and Joint family.
- ▶ Nuclear family is that where the family size is small and individuals have higher liberty to take decisions.
- ▶ Whereas in joint families, the family size is large and group decision-making gets more preference than individual. Family members can strongly influence the buyer behaviour, particularly in the Indian context. The tastes, likes, dislikes, life styles etc. of the members are rooted in the family buying behaviour.

- ▶ The family influence on the buying behaviour of a member may be found in two ways
- ▶ i) The family influence on the individual personality, characteristics, attitudes and evaluation criteria and
- ▶ ii) The influence on the decision-making process involved in the purchase of goods and services. In India, the head of the family may alone or jointly with his wife decides the purchase. So marketers should study the role and the relative influence of the husband, wife and children in the purchase of goods and services.

An individual normally lives through two families

- ▶ **Family of orientation:**

- ▶ This is the family in which a person takes birth. The influences of parents and individual's upbringing have a strong effect on the buying habits. For instance, an individual coming from an orthodox Tamil or Gujarati vegetarian family may not consume meat or egg even though she may appreciate its nutritional values.

- ▶ **Family of procreation:**

- ▶ This is the family formed by an individual with his or her spouse and children. Normally, after marriage, an individual's purchasing habits and priorities

Family Life Cycle

Stage of life cycle

Explanation

BACHELORHOOD

Single/Bachelor stage

Single people like student, unemployed youth or professionals at their age tend to have low earnings, but also have low outgoings so have a high discretionary income. They tend to be more fashion and recreation orientated, spending on clothes, music, alcohol, eating out, holidays, leisure pursuits and hobbies. They may buy cars and items for

HONEYMOONERS

Newly married couples

Newlyweds without children are usually dual-income households (Double Income No Kids commonly known as DINK) and therefore usually well off. They still tend to spend on similar things to the singles, but also have the highest proportion of expenditure on household goods, consumer durables and appliances. Appear to be more susceptible to

PARENTHOOD Full nest I

When the first child arrives, one parent usually stops working outside the home, so family income drops sharply. The baby creates new needs, which alter expenditure patterns: furniture and furnishings for the baby, baby food, vitamins, toys, nappies and baby food. Family savings decline, and couples are usually dissatisfied with their financial position.

PARENTHOOD Full nest II

The youngest child is over 6, so often both parents will work outside the home. The employed spouse's income has risen due to career progression, and the family's total income recovers. Consumption patterns still heavily influenced by children.

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PARENTHOOD

Full nest III

Family income improves, as the children get older. Both parents are likely to be working outside the home and both may have had some career progression; also, the children will be earning some of their own money from part-time jobs, etc. Family purchases might be a second car, replacement furniture, some luxury items and children's education.

POSTPARENTHOOD

Empty nest I

Children have grown up and left home. Couples are at the height of their careers and spending power, have low mortgages, very reduced living expenses. Often, financial

POSTPARENTHOOD

Empty nest II

Main breadwinner has retired, so some drop in income.

Expenditure is more health orientated, buying appliances for sleep, over-the-counter (OTC drugs like Crocin, Disprin, Gellusil) remedies for indigestion. They often buy a smaller house or move to an apartment in suburbs.

DISSOLUTION

Solitary survivor

If they still are in the workforce, widows and widowers enjoy a good income. They may spend more

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Reference group:

- ▶ A group is two or more persons who share a set of norms and whose relationship makes their behaviour

- ▶ Reference groups fall into many possible groupings, which are not necessarily to be exhaustive (i.e. non overlapping). The various reference groups are:
- ▶ **i) Membership or contractual groups:**
- ▶ They are those groups to which the person belongs, and interacts. These groups have a direct influence on their member's behaviour.
- ▶ **ii) Primary or normative groups:**
- ▶ They refer to groups of friends, family members, neighbours co-workers etc whom we see most often. In this case, there is fairly continuous or regular, but informal interaction with cohesiveness and mutual participation, which result in similar beliefs and behaviour within the group.

- ▶ **iii) Secondary groups:**
- ▶ They include religious groups, professional groups etc, which are composed of people whom we see occasionally. These groups are less influential in shaping attitudes and controlling behaviour but can exert influence on behaviour within the purview of the subject of mutual interest. For example, you can be

- ▶ **v) Dissociative or avoidance groups:**
- ▶ These are groups whose value an individual rejects and the individual does not want to be associated with. For example, a senior corporate executive does not want to be taken as a teenager. Hence, the individual will try to avoid certain products or behaviours rather than be taken for somebody from the dissociative group. In the just given example, the executive may not use cigarette, perfume or car, which are very much teenager-oriented. Like aspirational groups, the definition of a group as dissociative is purely subjective and it varies from one individual to the

▶ **vi) Formal groups:**

▶ These groups have a known list of members, very often recorded somewhere. An example might be a professional association, or a club. Usually the rules and structure of the group are laid down in writing. There are rules for membership and members' behaviour is constrained while they remain part of the group.

▶ However, the constraints usually apply only to fairly limited areas of behaviour; for example, the association of Chartered Accountants (CA) or the Cost Accountants have laid down the codes of practice for their members in their professional dealings, but has no interest in what its members do as private citizens.

▶ **vii) Informal groups:**

- ▶ These are less structured, and are typically based on friendship. An example would be an individual's circle of friends, which only exists for mutual moral support, company and sharing experiences. Although there can be even greater pressure to conform than would be the case to a formal group, there is nothing in writing.
- ▶ Often informal groups expect a more rigorous standard of behaviour across a wider range of activities than would a formal group; such circles of friends are likely to develop rules of behaviour and traditions that are more binding than written rules.

▶ **viii) Automatic groups:**

- ▶ These are those groups, to which one belongs by virtue of age, gender, culture or education. These are sometimes also called category groups. Although at first sight it would appear that these groups would not exert much influence on the members' behaviour, because they are groups, which have not been joined voluntarily, it seems that people are influenced by group pressure to conform. For example, when buying clothes, older people are reluctant to look like a teenager and hence they normally do not buy jeans.

▶ **ix) Indirect groups:**

- ▶ In this case, the customers are not in direct contact with the influencers. For example a

▶ **x) Comparative groups:**

- ▶ The members of this group are those with whom you compare yourself. For example, you may compare yourself with your brother or sister (sibling rivalry) or the colleagues and try to emulate by possessing some unique products or brands like Modava watch or Christian Dior perfume.

▶ **xi) Contractual group:**

- ▶ The group with which we are in regular contacts like college friends, office colleagues.

- ▶ **c) Roles and status:**
- ▶ A person participates in many groups like family, clubs, and organisations. The person's position in each group can be defined in terms of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Marketers must be aware of the status symbol potential of products and brands.

Thank You

Consumer Behaviour

Unit- 5

Industrial Buying Behaviour

- Definition:
 - – An Organisational Buying is a process by which a company/organisation establishes a need for purchasing products and choose among competing brands and suppliers.
 - – Reason To Buy Product:
 - In Production of another product
 - To Sell

DIFFER BETWEEN CONSUMER AND INDUSTRIAL BUYING BEHAVIOR

AREAS	INDUSTRIAL	CONSUMER
BUYER BEHAVIOR	FUNCTIONAL INVOLVEMENT	FAMILY INVOLVEMENT
	RATIONAL/TASK MOTIVES	SOCIAL/PSYCHOLOGICAL MOTIVES
	TECHNICAL EXPERTISE	LESS TECHNICAL
	INTERPERSONAL, STABLE RELATION	NON PERSONAL RELATION TO SOME EXTENT
DECISION MAKING	DISTINT, OBSERVABLE STAGES	UNOBSERVABLE MENTAL STAGES

AS A MARKETER YOUR JOB IS TO IDENTIFY INDIVIDUALS WHO ARE INVOLVED IN PURCHASING DECISION PROCESS.

Participants

- Primary roles
 - – Deciders: organisational members who has Decision making powers: vice president

Finance

- – Influencers: influence the decision making Process by providing information on Criteria for buying consultants: eg. Inside The organization: specialist and Outside:

- Secondary roles:
 - Users: they use so they initiate the purchase process: workers
 - Buyers: high level officers, major role is selection of suppliers and negotiating purchases . eg purchase department.
 - Gatekeepers: control the flow of info. Eg. Receptionist, secretary.

BUYING SITUATIONS

STRAIGHT REBUY: when there is repetitive OR routine order given by the buyer to older supplier

MODIFY REBUY: WHEN BUYER WANTS TO MODIFY ANY PURCHASE: Eg EARLIER PENTIUM PC BUT NOW WANTS NEW i3 PROCESSOR PC.

NEW TASK: Buyer goes for first time purchase of product. Supplier becomes benchmark for next purchase.

ORGANISATIONAL BUYING BEHAVIOUR PROCESS

1. Problem Recognition
2. General Description of Need
3. Product Specifications
4. Supplier Search
5. Supplier Selection
6. Selection of Order Routine
7. Performance Review

- **Problem recognition**
- Marketer stimulates problem recognition by Direct mail, telemarketing, calling on prospects.
- Internal stimuli – new product development for which parts are needed, breakdown of equipment, existing suppliers unsatisfactory.
- Buyer attends a trade show. Purchase Manager senses an opportunity to get lower prices or better quality.
- **General need description and product**

- **Supplier Search**
- Identify suppliers
 - - trade directories, hunt online catalogs for suppliers
 - - trade shows
 - - trade advertisements
 - - Internet search
- Buying alliances to get best price
- Company buying sites
- **Proposal Solicitation**

• **Supplier Selection**

- A supplier rating list is made by some companies based on relative importance given to a select set of attributes.
- For routine order products the factors are : price, supplier reputation, delivery .
- For procedural problem products such as copiers the important attributes are : technical service, supplier flexibility, reliability and price
- For political problem products such as choice of a set of computers the factors are price, reputation, reliability and flexibility
- One way to encounter price factor from

- **Order routine specification**
- Buyers negotiate the final order with the selected suppliers, and details the tech. specs., the quantity the delivery time, return policies, warranties etc.
- For maintenance and repair items , firms are moving towards a blanket contract that establishes a long run relation. Such contracts are called stockless purchase plans as the stock is held by the supplier
- Long run contracts are also agreed upon in case of shortage raw materials / inputs so

- **Performance Review**
- Three methods of review
 - Ask for evaluation from buyers. Buyer rates supplier on weighted score method.
 - Based on drawbacks of performance the buyer may come up with adjusted cost of purchase including price.
 - Managers are rewarded for good buying performance

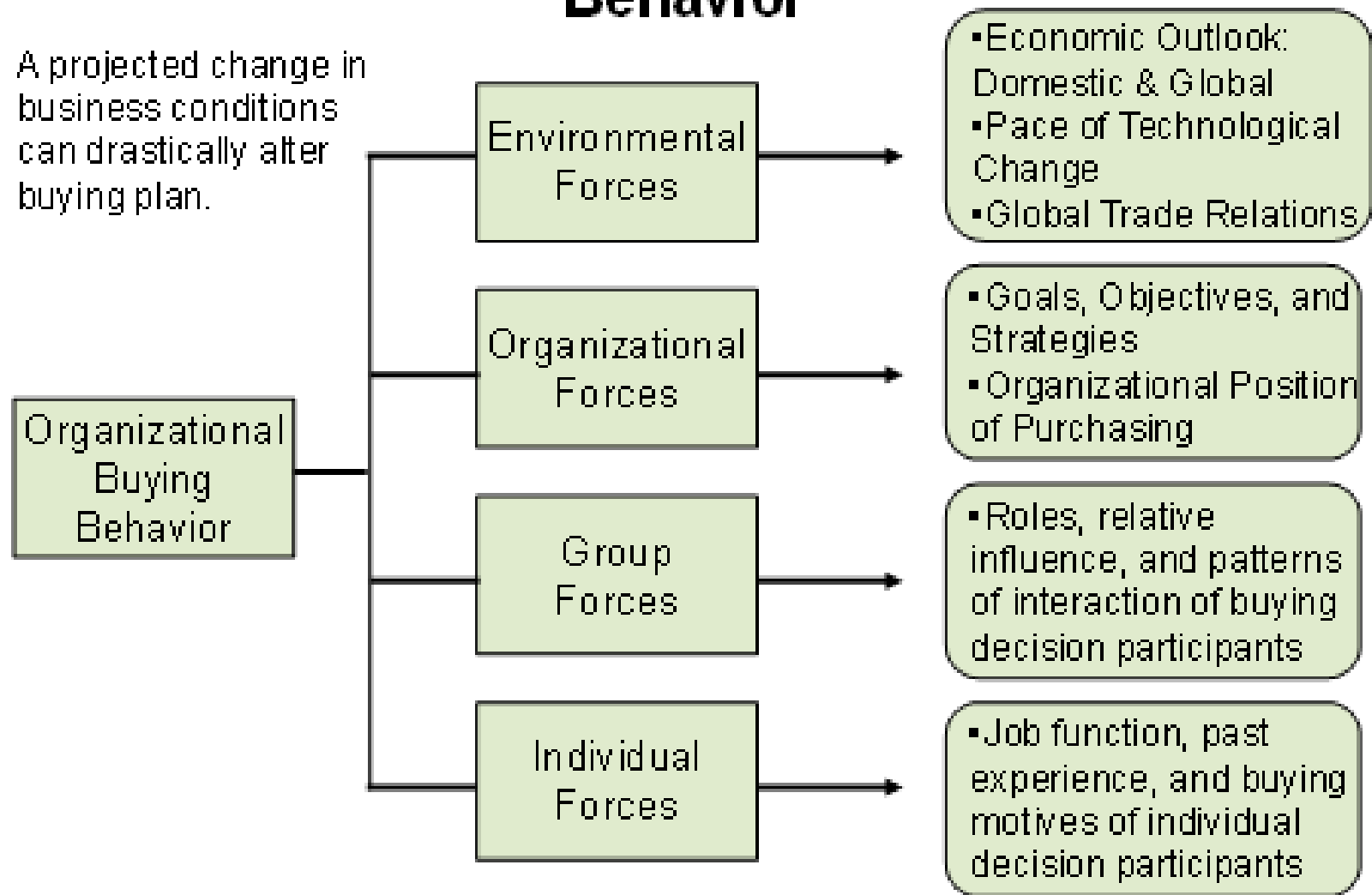
MEANING OF INDUSTRIAL MARKETING

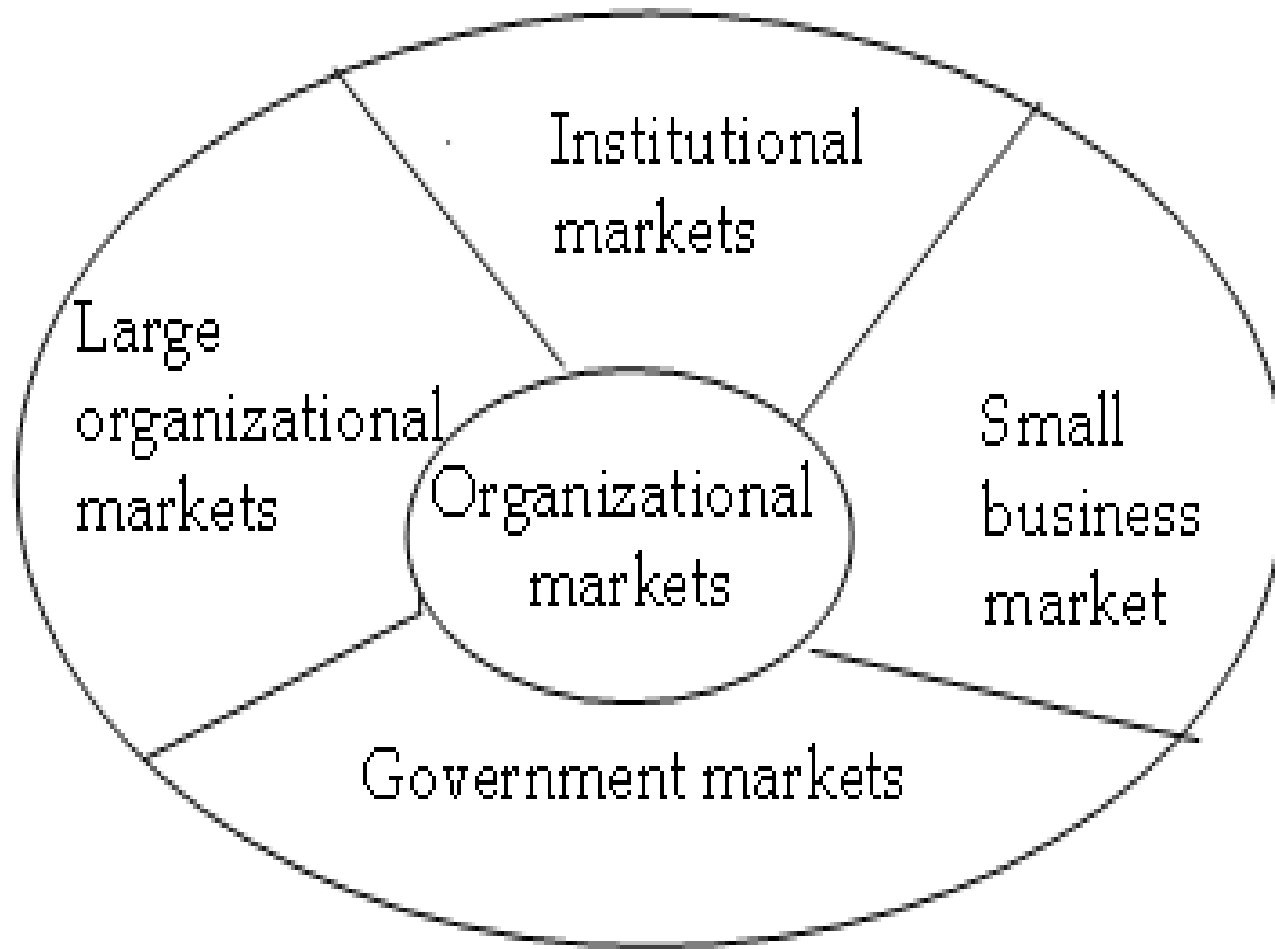
Industrial marketing is the marketing of goods and services from one business to another.

industrial marketing is also known as B2B (business to business) marketing.

Forces Influencing Organizational Buying Behavior

A projected change in business conditions can drastically alter buying plan.





- **Services marketing** is a specialised branch of marketing. Services marketing emerged as a separate field of study in the early 1980s, following the recognition that the unique characteristics of services required different strategies compared with the marketing of physical goods.
- Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services such as telecommunications services, financial services, all types of hospitality, tourism

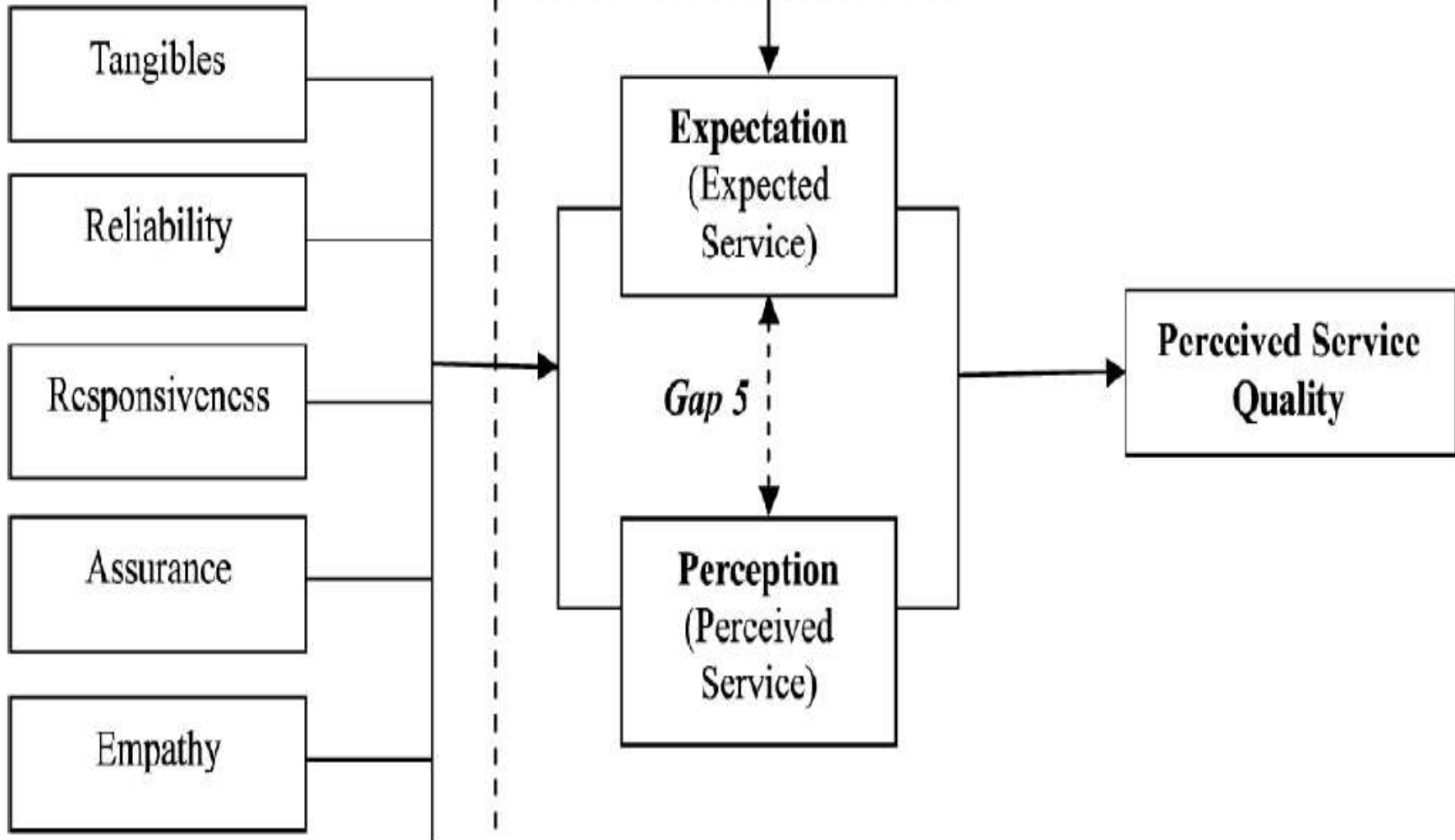
The Gaps model

- The model of service quality or the *gaps model* as it is popularly known, was developed by team of researchers, Parasuraman, Zeithaml and Berry, in the mid to late 1980s. and has become the dominant approach for identifying service quality problems and diagnosing their probable causes. This approach conceptualises service quality as a gap between consumer's expectations of a forthcoming service encounter and their actual perceptions of that encounter.

- **SQ = P - E**
- where; **SQ** is service quality **P** is the individual's perceptions of given service delivery **E** is the individual's expectations of a given service delivery. The model which provides the overall conceptual framework helps analysts to identify the service quality gap (Gap 5 in the model) and to understand the probable causes of service quality related problems (Gaps 1-4 in the model). The diagnostic value of the model accounts at least, in part, for the instrument's continuing currency in service

- The model's developers also devised a research instrument, called SERVQUAL, to measure the size and direction of service quality problems (i.e. gap 5). The questionnaire is a multi-dimensional instrument, designed to capture five dimensions of service quality; namely reliability, assurance, tangibles, empathy and responsiveness, which are believed to represent the consumer's understanding of service quality.

SERVQUAL Dimensions

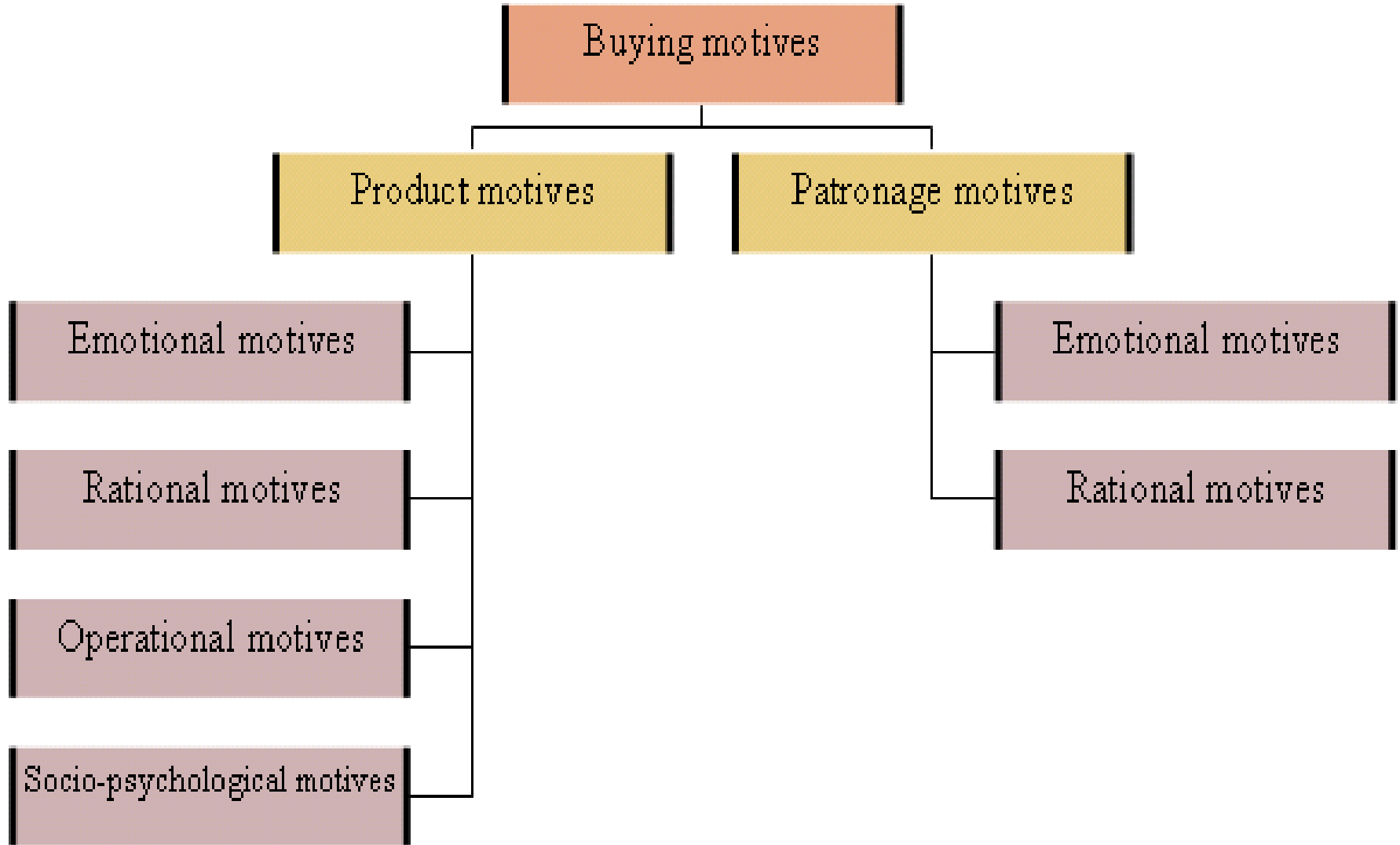


- **Performance-only model**
- Cronin and Taylor developed a scale based on perceived performance only (i.e. excluded expectations) as a simpler alternative to SERVQUAL. The scale is known as SERVPERF and is considerably shorter than SERVQUAL, and therefore easier and cheaper to administer. Results from the use of SERVPERF correlate well with SERVQUAL. This approach utilises a different conceptualisation of service quality, which can be represented by the

- **SQ = P**
- where; **SQ** is service quality **P** is the individual's perceptions of given service delivery
- Although SERVPERF has a number of advantages in terms of administration, it has attracted criticism. The performance only instrument lacks the diagnostic value of the SERVQUAL since it includes only one variable (P) compared to SERVQUAL's richer data with two variables (P and E). To illustrate, consider one source of quality related problems which occurs when customers have unrealistically high expectations. SERVQUAL has no problem detecting such problems, however, SERVPERF can never detect this problem because it does not capture expectations. When choosing an appropriate instrument for investigations into service quality, service marketers must weigh up the expediency of SERVPERF against the diagnostic power of SERVQUAL.

- TYPES OF BUYING MOTIVES
- Buying motive is the urge or motive to satisfy a desire or need that makes people buy goods or services. Behind every purchase there is a buying motive. It refers to the thoughts, feelings, emotions and instincts, which arouse in the buyers a desire to buy an article.
- Motives should be distinguished from instincts. A motive is simply a reason for carrying out a particular behaviour and not an automatic response to a stimulus, whereas instincts are pre-programmed

Buying Motives



- Product Buying Motives:
- Product buying motives refer to those influences and reasons, which prompt (i.e. induce) a buyer to choose a particular product in preference to other products. They include the physical attraction of the product (i.e. the design, shape, dimension, size, colour, package, performance, price etc. of the product) or the psychological attraction of the product (i.e. the enhancement of the social prestige or status of the purchaser through its possession), desire to remove or reduce the danger or damage to life or body of the possessor, etc.
- In short, they refer to all those characteristics of a product, which induce a buyer to buy it in preference to other products.

- Product buying motives may be sub-divided into two groups, viz.,
- (1) emotional product buying motives and (2) rational product buying motives.
- A. Emotional Product Buying Motives: When a buyer decides to purchase a product without thinking over the matter logically and carefully (i.e., without much reasoning), He/she is said to have been influenced by emotional product buying motives.
- B. Rational Product Buying Motives: When a buyer decides to buy a certain thing after careful consideration (i.e. after thinking over the matter consciously and logically), she/he is said to have been influenced by rational product buying motives.
- Patronage Buying Motives: Patronage buying motives refer to those considerations or reasons, which prompt a buyer

- A. Emotional Patronage Buying Motives:
When a buyer patronizes a shop (i.e. purchases the things required by him from a particular shop) without applying his mind or without reasoning, he is said to have been influenced by emotional patronage buying motives.
- B. Rational Patronage Buying Motives:
When a buyer patronizes a shop after careful consideration (i.e. after much logical reasoning and careful thinking) he is said to have been influenced by rational patronage buying motives.

Thank You

UNIT -1

An Introduction to Consumer Behavior

AGENDA

- Introduction to Consumer Behaviour
- Importance
- Scope
- Consumer Research Process
- Consumer Models
- Psychoanalytic Model



Who is a 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.

What is 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.



DEFINING CONSUMER BEHAVIOR

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.).

It is the Process Involved When Individuals or Groups Select, Use, or Dispose of Products, Services, Ideas or Experiences (Exchange) to Satisfy Needs and Desires.



Customers versus Consumers

- The term “customer” is typically used to refer to one who regularly purchase from a particular store or company.
- The “consumer” more generally refers to anyone engaging in any of the activities (evaluating, acquiring, using or disposing of goods and services)
- So the consumer‘ is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.



- A consumer is a person who consumes or uses something. A customer is a person who has purchased something or engaged in some form of exchange transaction.
- A customer can be a consumer, but a consumer does not necessarily need to be a customer. Example: a child could be a consumer of breakfast cereal, while the child's mother would be the customer.



NATURE OF CONSUMER BEHAVIOUR:

systematic process : Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps :

need identification to buy the product

information search relating to the product

listening and evaluating the alternative

purchase decision

post purchase evaluation by the marketer



- **Influenced by various factors** : Consumer behaviour is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.
- **Different for different customers** : All consumers do not behave in the same manner. Different consumers behave differently. The different in consumer behaviour is due to individual factors such as nature of the consumer's lifestyle, culture etc.
- **Different for different products** : Consumer behaviour is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.



- **Vary across regions** : The consumer behaviour vary across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. normally rural consumers are conservative (traditional) in their buying behaviour.
- **Vital for marketers** : Marketers need to have a good knowledge of consumer behaviour they need to study the various factors that influence consumer behaviour of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.



- **Reflect status** : Consumer buying behaviour is not only influenced by status of a consumer but it also reflect it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.
- **Result in spread effect** : Consumer behaviour as a spread effect. The buying behaviour of one person may influence the buying behaviour of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. This may influence some of his friends, neighbours and colleagues. This is one of the reasons why marketers use celebrities like Shahrukh Khan, sachin to endorse their brands.



ndergoes a change : The consumer behaviour undergoes a change over a period of time depending upon changes in age , education and income level etc, for example, kids may prefer colourful dresses but as they grow up as teenagers and young adults, they may prefer trendy clothes.

nformation search : Search for information is a common consumer behaviour. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products our services are available to fulfil his needs.



here might be a product available that would be better suited to the consumers needs, but if he is an aware of product, he will not buy it.

rand loyalty : Brand loyalty is another characteristic of consumer behaviour. Brand loyalty is the tendency of a consumer to buy products or services from a certain company that one likes or equates with having high quality goods and services.



Scope of Consumer Behaviour:

1) Consumer behaviour and marketing management : A sound understanding of consumer behaviour is essential to the long run success of any marketing program. The essence of the Marketing concept is captured in three interrelated orientations consumers needs and wants, company integrated strategy.



2) Consumer behaviour and non profit and social marketing : In today's world even the non-profit organisations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behaviour and decision making process will assist these efforts.

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3) Consumer behaviour and government decision making :

In recent years the relevance of consumer behaviour principles to government decision making. Two major areas of activities have been affected:

- i) **Government services**: Government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

- ii) **Consumer protection**: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers welfare.



4) Consumer behaviour and demarketing: It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. These actions have been undertaken by government agencies non profit organisations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.



5) Consumer behaviour and consumer education:

Consumer also stands to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behaviour



IMPORTANCE OF CONSUMER BEHAVIOUR

1. Modern Philosophy:

It concerns with modern marketing philosophy – identify consumers' needs and satisfy them more effectively than competitors. It makes marketing consumer-oriented. It is the key to be succeeded.

2. Achievement of Goals:

The key to a company's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competitors. Thus! consumer behaviour helps in achieving marketing goals.



3. Useful for Dealers and Salesmen:

○ The study of consumer behaviour is not useful for the company alone. Knowledge of consumer behaviour is equally useful for middlemen and salesmen to perform their tasks effectively in meeting consumers needs and wants successfully. Consumer behaviour, thus, Improves performance of the entire distribution system.



More Relevant Marketing Programme:

- Marketing programme, consisting of product, price, promotion, and distribution decisions can be prepared more objectively. The programme can be more relevant if it is based on the study of consumer behaviour. Meaningful marketing programme is instrumental in realizing marketing goals.



5. Adjusting Marketing Programme over Time:

○ Consumer behaviour studies the consumer response pattern on a continuous basis. So, a marketer can easily come to know the changes taking place in the market. Based on the current market trend, the marketer can make necessary changes in marketing programme to adjust with the market.

6. Predicting Market Trend:

○ Consumer behaviour can also aid in projecting the future market trends. Marketer finds enough time to prepare for exploiting the emerging opportunities, and/or facing challenges and threats.



7. Consumer Differentiation:

○Market exhibits considerable differentiations. Each segment needs and wants different products. For every segment, a separate marketing programme is needed. Knowledge of consumer differentiation is a key to fit marketing offers with different groups of buyers. Consumer behaviour study supplies the details about consumer differentiations.

8. Creation and Retention of Consumers:

○Marketers who base their offerings on a recognition of consumer needs find a ready market for their products. Company finds it easy to sell its products. In the same way, the company, due to continuous study of consumer behaviour and attempts to meet changing expectations of the buyers, can retain its consumers for a long period.



9. Competition:

○ Consumer behaviour study assists in facing competition, too. Based on consumers' expectations, more competitive advantages can be offered. It is useful in improving competitive strengths of the company.

10. Developing New Products:

○ New product is developed in respect of needs and wants of the target market. In order to develop the best-fit product, a marketer must know adequately about the market. Thus, the study of consumer behaviour is the base for developing a new product successfully.

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11. Dynamic Nature of Market:

○ Consumer behaviour focuses on dynamic nature of the market. It helps the manager to be dynamic, alert, and active in satisfying consumers better and sooner than competitors. Consumer behaviour is indispensable to watch movements of the markets.

12. Effective Use of Productive Resources:

○ The study of consumer behaviour assists the manager to make the organisational efforts consumer-oriented. It ensures an exact use of resources for achieving maximum efficiency. Each unit of resources can contribute maximum to objectives.



Develop Research Objectives

Perform Secondary Research

Analyse Secondary Data

**Insufficient
Sufficient
Information
to achieve
achieve objectives
objectives**

Make
decision about
the primary
research
method to be
used

Pilot
Study

Report or
Presentation of
data

Primary research (Qualitative or Quantitative)

Analyse Data

Report or Presentation of Data

Consumer Research Process



UNIT - 2

Agenda

○ Consumer Behaviour Models

1. Economic model
2. Learning model
3. Psychoanalytical model
4. Sociological model
5. Howard Sheth Model
6. Angel kollat Blackwell Model
7. Nicosia model



CONSUMER BEHAVIOUR MODELS

1. Traditional Models

- The Economic Model
- Learning Model
- Psychological Model
- The Sociological Model

2. Contemporary Models

- The Howard Sheth Model of buying behaviour
- The Nicosia Model
- The Engle-Kollat-Blackwell Model
- Engle, Blackwell and Miniard (EBM) Model



Economic Model

The economic model of consumer behaviour focuses on the idea that a consumer's buying pattern is based on the idea of getting the most benefits while minimizing costs.

This model assumes that with limited purchasing power and a set of needs and tastes, a consumer will allocate his/ her expenditure over different products at a given prices so as to maximize utility.

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



Economic man model is based on:

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

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

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

Criticism:

- Fails to explain how does the consumer actually behave.
- Incompleteness in the Model.
- Lack of broader perspective.



LEARNING MODEL

- This model is named after the Russian Physiologist Ivan Pavlov.
- Psychology has contributed lot to the marketers to understand the buyers. It explains how consumers learn about a product and the way they can recall from the memory, and the development of buying habits.
- All theories of buyer's behavior have been primarily based on learning, viz., Stimulation-Response or S-R model, this theory of learning is explained as a process of repetition, motivation, conditioning and relationship. Repetition improves learning.



- For example, when advertisements are repeated, people may be able to understand further about the product. This is aimed at repeated advertisements for drawing the attention and interest of the people. According to stimulus- response theory learning involves the following steps.
 - a. **Drive:** It is a strong internal stimulus which impels action and when it is directed towards a drive reducing object, it becomes a motive. A drive thus motivates a person for action to satisfy the need. Drives may be primary-thrust, hunger etc., and secondary - desire for money, pride etc.
 - b. **Cues:** These are weak stimuli. They determine when the buyer will respond



- **c. Response:** Response is the feedback reaction of the buyer. It is an answer given to drive or cue. The individual has to choose some specific response in order to fulfill the drive or the need which was acting as a stimulus. For example, a hunger drive can be satisfied by visiting a shop known through an advertisement and buying the readymade food product. If that experience is satisfactory, this response of satisfaction is strengthened.
- Thus this learning of links which mean stimulus, cue and response results in habit. Along with this attitudes and beliefs also learnt.



- As it becomes a habit, the decision process for the individual becomes routine affair. Thus, learning model has the following prediction
 - a. Learning refers to change in behavior brought about by practice or experience. Everything one does or thinks is learnt
 - b. Product features such as price, quality, service, brand , package etc., acts as cues or hints influencing consumer behavior
 - c. Marketing communications such as advertising, sales promotion etc., also act as guides persuading buyer to purchase the product
 - d. Response is decision to purchase.



PSYCHOANALYTICAL MODEL

- Sigmund Freud, an Australian Physician and pioneer psychoanalyst, is considered as the father of psychoanalytic theory. He proposed that every individual's personality is the product of three forces: id, ego, and super ego.
- Freud's model has biological forces (represented by id), societal forces (the super ego), and human consciousness (the ego) in its foundation. Individuals' personality development is the relation between these three factors. Influence of human motivation and needs affects these three factors.



- The id is the source of strong inborn drives and urges. It operates on the pleasure principle; meaning acts to avoid tension and seeks pleasure. Thus unconscious mind is called the id.
- Ego represents the conscious mind. It is composed of perceptions, thoughts, memories, and feelings. The ego gives the personality a sense of identity and continuity. It comes into being because of the limitations of the id, in dealing with the real world. It is said to be the executive of the personality. It operates on reality principle and serves as the organized focal point for effective action in the environment. It varies from one individual to another, as it is an internal drive and conscious.



- Super ego constitutes the moral part of the individuals' psychic structure, through internalizing the values of the society. It influences the individual to strive for perfection. It acts to control basic strivings of the id, which could interrupt the social system and influences the ego. Ego is to pursue goals that match the morality dictated by society and culture.



SOCIOLOGICAL MODEL

- According to this theory the individual decision and behavior are quite often influenced by the family and the society. Individual gets influenced by it and in turn also influences it in its path of development.
- Individual plays many roles as a part of formal and informal associations or organizations i.e., as a family member, employee of a firm, member of professional forum, and as an active member of an informal cultural organization.



- Hence individual is largely influenced by the group in which he is a member. For example, the decision may be made by one, actual buying may be done by another, and the product is used by yet another member of the family. Here, a mother takes a decision to buy a tiny cycle for her child, the cycle is purchased by the father and the user is the child.



HOWARD - SHETH MODEL

- This model was proposed by keeping both the industrial & consumer products, in order to give an understanding about great variety of behaviours. It shows the rational brand choice behaviour by buyer under conditions of incomplete information. It proposes levels of decisions making.
- 1. The first level describes the extensive problem solving.
- 2. The second level is limited problem solving.
- 3. The third level is a habitual response behavior.



- *Extensive Problem Solving:*

In this the customer does not have any basic information about the brand and any preferences for any product. Then he will find information about all brands from the market before purchase.

- *Limited Problem Solving:*

In this, customer has little knowledge about brands and market. This is an advance stage where the choice criterion is defined but the exact solution of the problem is unknown to the customer.



- There are four components describe in the model which causes the actual purchase behaviour.
- *Input Variables*
- *Out Put variables*
- *Hypothetical Constructs*
- *Exogenous Variable*



- The **input variable** consists of some stimulate which serves as the information to the consumer.
- 1. **Significative Stimuli:** This is the elements of the brands which the consumer comes across.
- 2. **Symbolic Stimuli:** This consists of the stimuli which the producer shows about the various attributes /benefits of his product.
- 3. **Social Stimuli:** This consist of those environmental factors which can act as the source of input.



- **Output variable:** This output is the ultimate response of the consumer. In order to come to a conclusion regarding the purchase consideration he follows sequential order.
- Attention — Comprehension — Attitude— Intention— Purchase Behaviour
- The consumer first is attentive towards the various stimuli which help him in comprehensive way about various brands. He then develops an attitude for the product due to which he has some intention regarding the purchase decisions.



- **Hypothetical Construct**: These are the interviewing variables which influence the customers output decision. It consists of major variables.

1. **Perceptual Constructs**

2. **Learning Constructs**

- ***Perceptual Constructs***: This helps in the information processing for the selecting of a brand. It consists of three steps.
- ***Sensitively to information***: Where in the customer is open to the options available to him



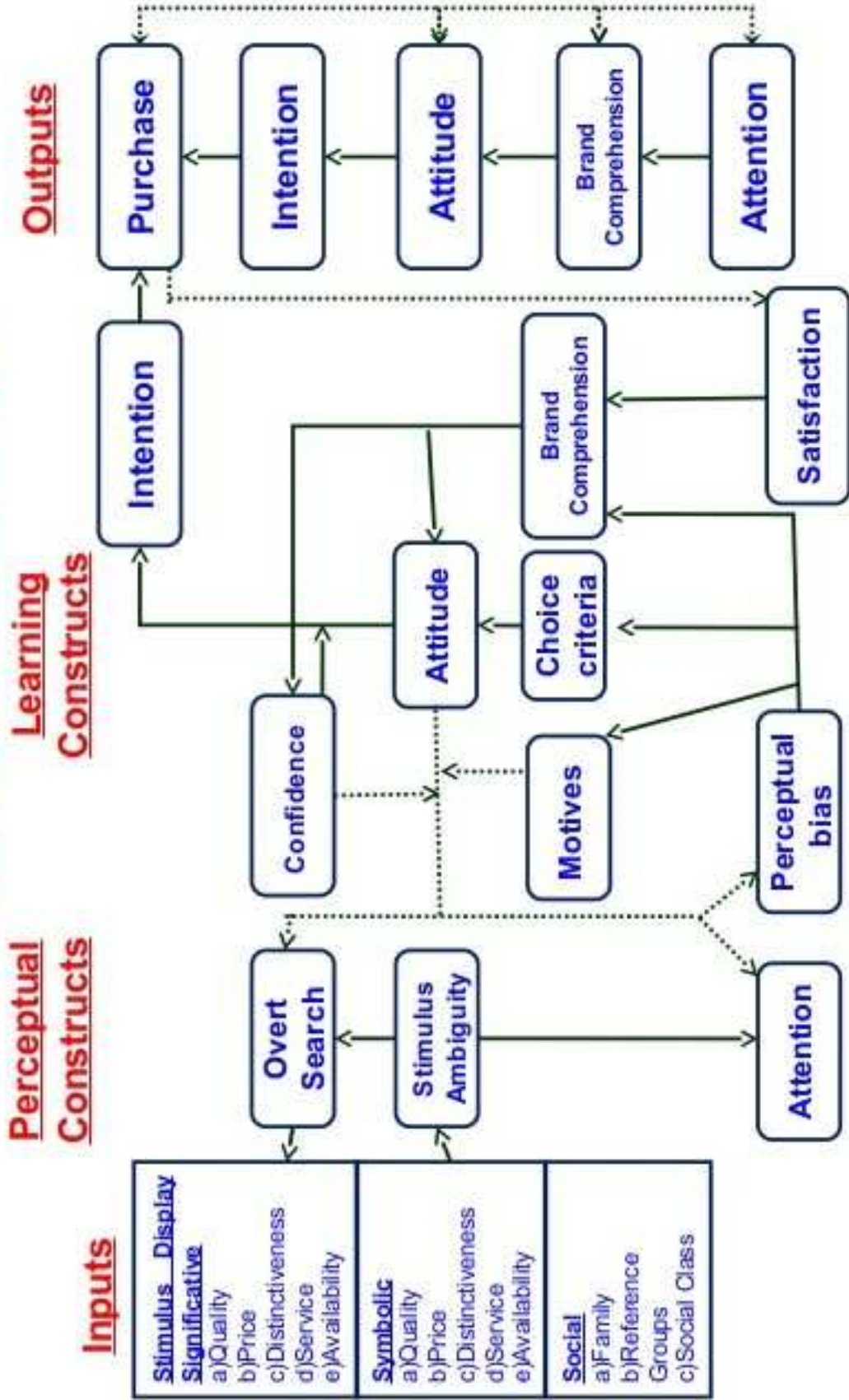
- ***Perceptual Bias:*** The consumer then has a biased opinion regarding the various brands, because he perceives each brand differently.
- ***Search for Information:*** The consumer further searches for information in order to come to a conclusion.
- **Learning Constructs:** This involves the formation of concepts regarding various brands. This consist of various factors like motive, brand potential of evoke set, decision mediators, pre – dispositions, inhibitors satisfaction.



- **Exogenous Variables:** These are the External factors which influence the decision making process. This could include the importance of purchase, personality, social class., culture, organisation, financial status.
- Therefore, this model gives on overall views regarding consumer purchases keeping in view all the factors influencing the organisation as well as the end consumer.

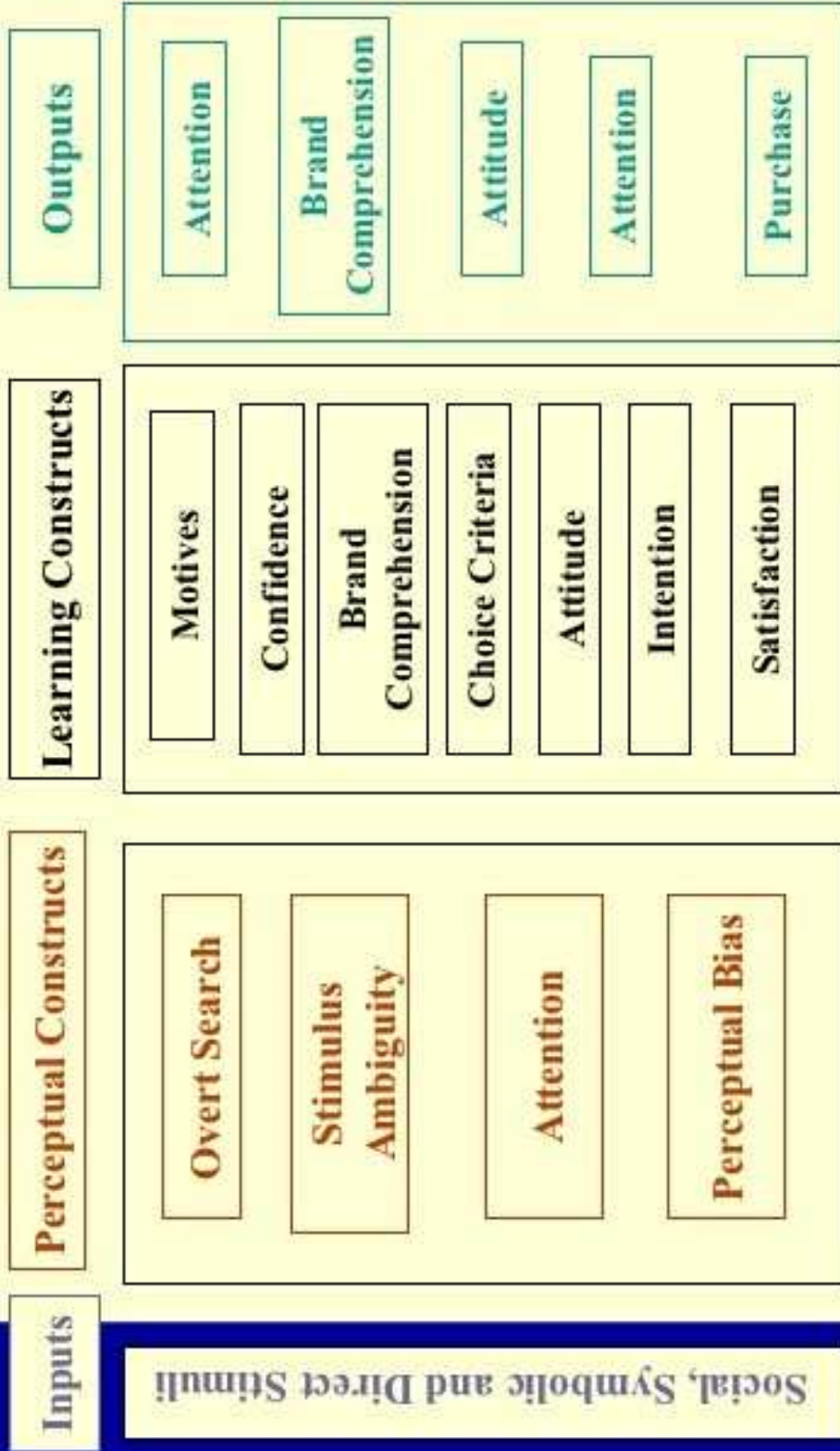


The Howard-Sheth Model



Solid lines show flow of info.-Dashed lines indicate feedback effects

Howard-Sheth Model of Consumer Behavior



BASIC STRUCTURE OF BUYING BEHAVIOR

The following predictions can be made about the model

- i. Stimuli or perceived learning occurs and results in output
- ii. Output occurs on the basis of the perception and learning- non observable variables
- iii. Exogenous or outside variables such as social class, financial status etc., are used to predict perception and learning This model describes the buying behavior in various stages



- **STAGE 1.** Motives are based on needs demanding satisfaction. They lead to goal directed behaviour satisfaction. Motives ignite a drive to search and secure information from alternatives. Stimulus- input variables are marketing programme and social environment.
- Input or stimuli:
 - i. Product themselves in the market Commercial information on them, say quality, price, availability and distinctiveness.
 - ii. Product information obtained from friends acquaintances and reference groups. Thus, a number of products or brands are perceived and considered by the consumers mind. In this manner the resulting perception is *selected*



- **STAGE 2.** While evaluating, many brands are eliminated or left out for further consideration. Now, only few will receive further consideration. Each will have plus / minus points. These choice considerations act as connecting links between motives and selected brands choice consideration which provide a structure to motives and the process of learning and experience. These considerations develop as criteria / rule to decide on the goods that have the prospects of yielding maximum satisfaction. The market must offer a good marketing-mix that is used by the buyer to influence the choice criteria.



- **STAGE 3.** The choice criteria gives rise to predisposition- the relative preference in favor of particular brand. Sudden hindrances may sometimes stop the process. This may be in form of price, inadequate supply of brand, external variables such as financial status, time pressure etc. If they do not occur, the preference results in a response output such as attention, comprehension, attitude, buying intention and preferably actual purchase.
- **STAGE 4:** Feedback of purchase experience is sent to the buyer which shows if the actual satisfaction was equal to the expected satisfaction. Satisfaction leads to repurchase, and repeat orders indicate brand loyalty



NICOSIA MODEL

Francesco M. Nicosia a leading scholar in the field of consumer behaviour propounded a comprehensive model in 1966 to analyse consumer's behavioural process.

The model concentrates on the communication process that occurs between a brand and a consumer. It uses a flow of events through different stages that are identified as fields. The firm's marketing communications, consumer's attributes, consumer's decision process and feedback are the main components that are represented in this dynamic model.



STAGE 1: PROBLEM RECOGNITION:

- The buying process starts when the buyer recognizes a problem or need. This need can be triggered by internal stimuli (such as feeling hungry or thirsty) or external stimuli (such as seeing an advertisement) that then becomes a drive.
- By gathering information from a number of consumers, markets can identify the most frequent stimuli that spark interest in a product category. They can then develop marketing strategies that triggers consumer interest and lead to the second stage in the buying process. An aroused customer who recognizes a problem will be inclined to search for more information.



STAGE 2:

- At the milder search strategy heightened attention, a person simply becomes more receptive to information about a product. At the active information search level, a person surfs the internet, talks with friends and visits stores to learn more about the product.
- **Consumer Sources:**
 - Family, friends, neighbours and acquaintances.
- **Commercial Sources:**
 - Advertising, web sites, sales persons, dealers, packaging, displays.
- **Public Sources:**
 - Mass Media, consumer-rating, organizations.



- **Experimental Sources:**
- Handling, examining, using the product.
- The consumer usually receives the most information from commercial (marketer-dominated) sources, although the most influential information comes from personal sources.



- **Stage 3:**
- **Evaluation of Alternatives:**
- Once the consumer has conducted an information search, how does he process competitive brand information and make a final judgment? There are several evaluation processes; the most current models view the process as being cognitively oriented, meaning that consumers form judgments largely on a conscious and rational basis.
- When the consumer tries to satisfy a need, he seeks certain benefits from the product and he sees each product as a bundle of attributes with varying abilities of delivering the benefits to satisfy this need. A person wanting to buy a camera may like to see picture sharpness, camera size, and price etc



- Knowing that customers pay, the most attention to attributes that deliver the benefits they seek, many successful marketers segment their markets according to the attributes that are salient to different consumer groups.
- In the course of evaluating alternatives the consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a particular brand, which make up the brand image, will vary with the customer's experiences as filtered by the effects of selective perception, selective distortion and selective retention. Ultimately, consumers develop attitudes towards various brand alternatives through an attribute evaluation procedure

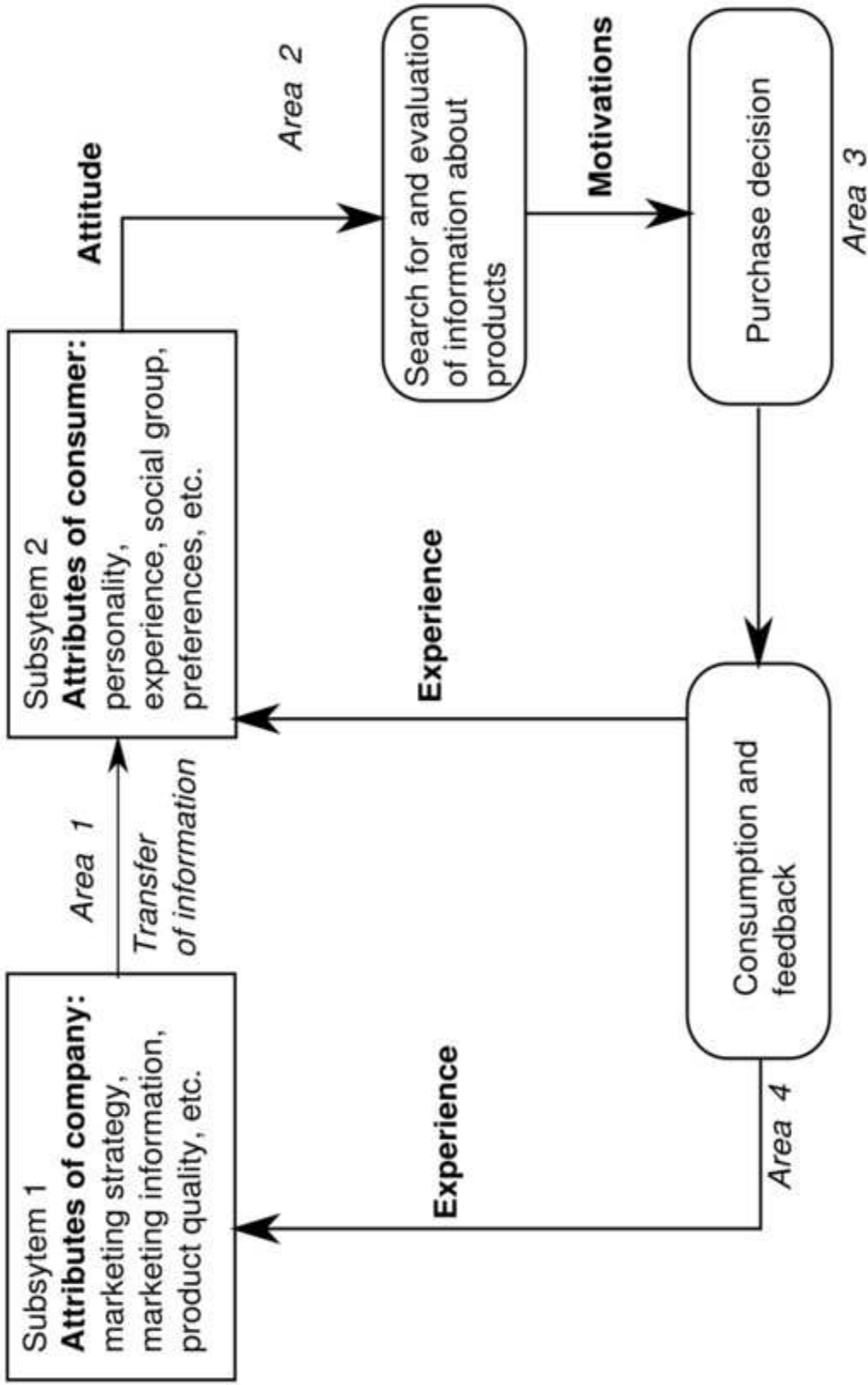


- **Stage 4:**
- **Purchase Decision:**
- In the evaluation stage, the consumer forms preferences among the brands in the choice set and may also form an intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision.
- The first factor is the attitudes of others i.e., family members or friends. The second factor is unanticipated situational factors, i.e., sudden death or birth in the family, sudden loss of job etc. Smart marketers study, the factors that provoke a feeling of risk in consumers and then provide information and support to reduce the perceived risk.



- **Stage 5:**
- **Post Purchase Behaviour:**
- After purchasing the product, the consumer moves into the final stage of the consumer buying process, in which he will experience some level of satisfaction or dissatisfaction. This is why the marketer's job does not end when the product is bought.
- Marketers use post purchase communications to buyers as a way to reduce product returns or order cancellations. They seek customer suggestions for improvements and providing channels for speedy resolution of customer complaints





- **Nicosia Field 1** : The first field represents the output of a commercial message in the form of advertising or other communication tools and its effect on the consumer individual.

This field is the sum of two sub fields. Sub field one that represents the product's attributes and the brand communication efforts and sub field two with the consumer's attributes and represents the meaning he gives to the message which effects his reception of the message.

- **Nicosia Field 2** : The message in field one produces a certain attitude on the individual that leads to the search and alternative evaluation phases in the decision process.



- **Nicosia Field 3** : Field three represents the transformation of the motivation into the act of purchase or non purchase. This leads to a certain purchasing behaviour analysed in field four.

Nicosia Field 4 : Field four deals with the use of the purchased item and how it generates experience that will determine future behaviour towards the product.as a relation of the purchase consequence stored in memory. The output in field four is feedback of consumption and sales to the company



- With this model Nicosia was able to represent consumer's behaviour when receivers of a message and has agents in the buying process generated by that flow of information from a company.

There are a number of arguments that put this model in a difficult position to be widely accepted. This includes the influences and inter-relationships among the consumer attributes, the unspecified type of consumer, the possible existing relationship between the company and the individual or its unique use in first exchange situations.



ENGEL KOLLAT BLACKWELL MODEL

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



- The ebk model is a comprehensive and shows the components of decision making and the relationship and interaction among them . The five distinctive parts of consumer decision making are input, information processing, decision process ,decision process variables and external influences.



INFORMATION INPUT:

- Input includes all kinds of stimuli from our contact with the world around us: Our experiences, contact with others Marketer-controlled stimuli (e.g., advertising, store display,) Other stimuli (e.g., personal recollections, conversations with friends) External search INFORMATION INPUT.



INFORMATION PROCESSING:

This components comprises the consumer's selective exposure, attention, comprehension and retention of stimuli relating to a product or brand received from marketing sources. The consumer is exposed to stimuli (and the accompanying information); attention determines which of the stimuli he will focus upon; Thereafter he would interpret and comprehend it, accepts it in his short term memory and retains it by transferring the input to long-term memory. INFORMATION PROCESSING



DECISION PROCESS

It is triggered at any time during information processing. It consists of five steps: Problem recognition, Search, Alternative evaluation, Choice, and Outcomes (post-purchase evaluation and behavior).

DECISION PROCESS

○ **DECISION PROCESS VARIABLES:**

○ The model proposes individual influences that affect the various stages of the decision making process. Individual characteristics include constructs like demographics, motives, beliefs, attitude, personality, values, lifestyle etc.

DECISION PROCESS VARIABLES

○ **EXTERNAL INFLUENCES:**

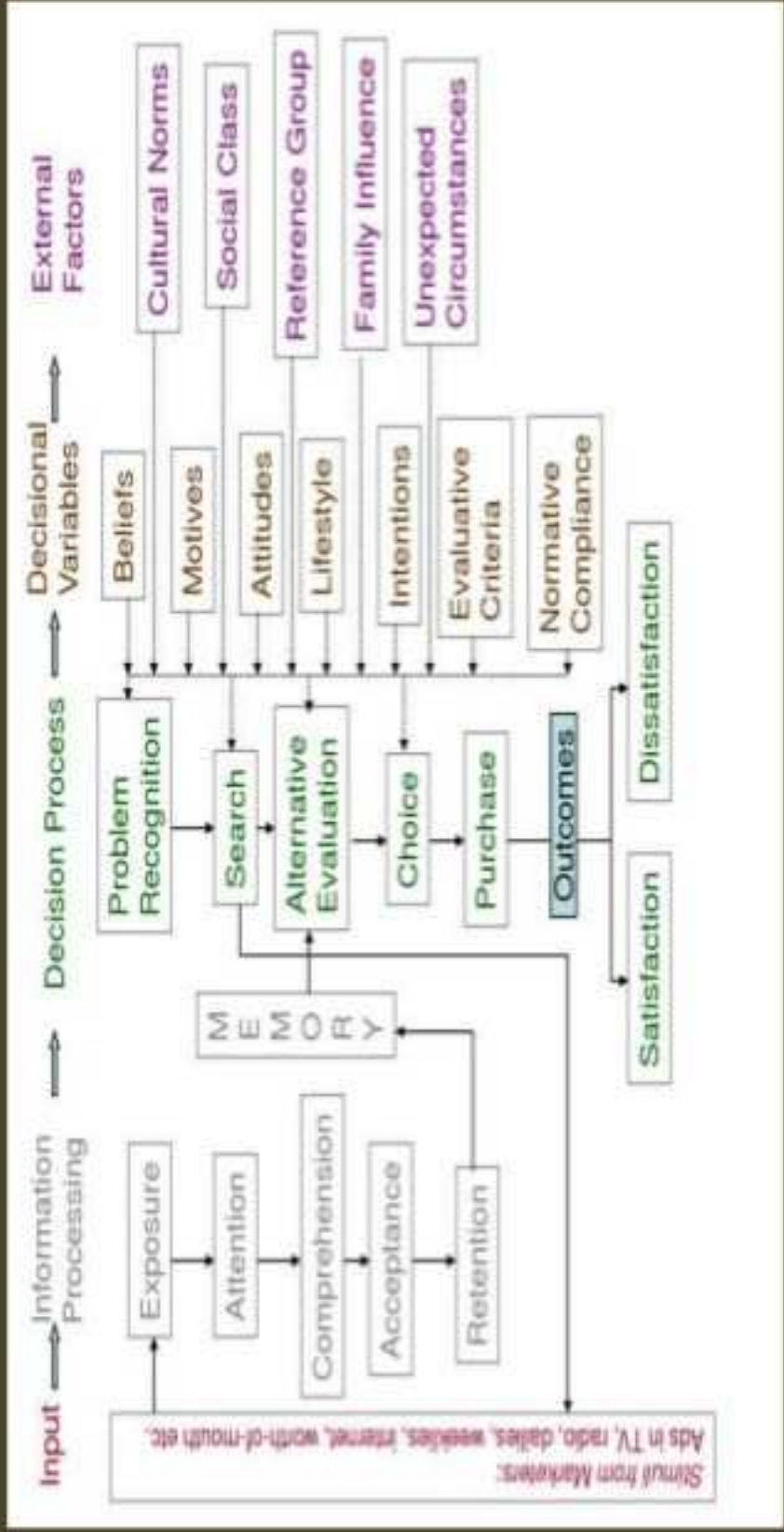
○ Consumers are influenced by environmental factors like culture, sub-culture, social class, reference groups, family, and situation.

EXTERNAL



3. Engel – kollat- Model

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components, this model consists also of five stages;



○ The Authors distinguish 5 consecutive stages of the decision-making process (fig. 1):

1. **Identification of the problem** - involves generating consumer needs, consumer sees a gap between the ideal and the current state of things.
2. **Search for information** how to solve problem - consumer looks for information about available opportunities, search begins with internal sources (own memory), on the basis of past experience or from an external source.
3. **Assessment of options** - consumer examines and assesses the possible variants of choice in order to make the best decisions; This process is influenced by such factors as: criteria for assessing options, beliefs, attitudes, intentions, circumstances.
4. **Choice** - purchase decision arises from the assessment of goods available on the market. However, the decision might also be affected by: change of income, price family

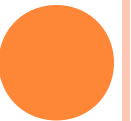
5. Effects of choice - purchase may induce in consumer:

A satisfaction - consumer is happy with the choice, the purchase is in line with his beliefs and past experiences, in this situation, the consumer stores this experience in his information stores for use in making future decisions,

B dissonance - consumer is not sure about effects of decision, doubts whether the other variants were rightly rejected, often is angry and dissatisfied, may avoid choosing this product or service again in future.



Thank You



Consumer Behaviour

Unit 3

Prof. Anubha
Srivastava

Individual Determinants

- ▶ *Motivation and Involvement*
- ▶ *Attitudes*
- ▶ *Personality and Self-concept*
- ▶ *Learning and Memory*
- ▶ *Information Processing*

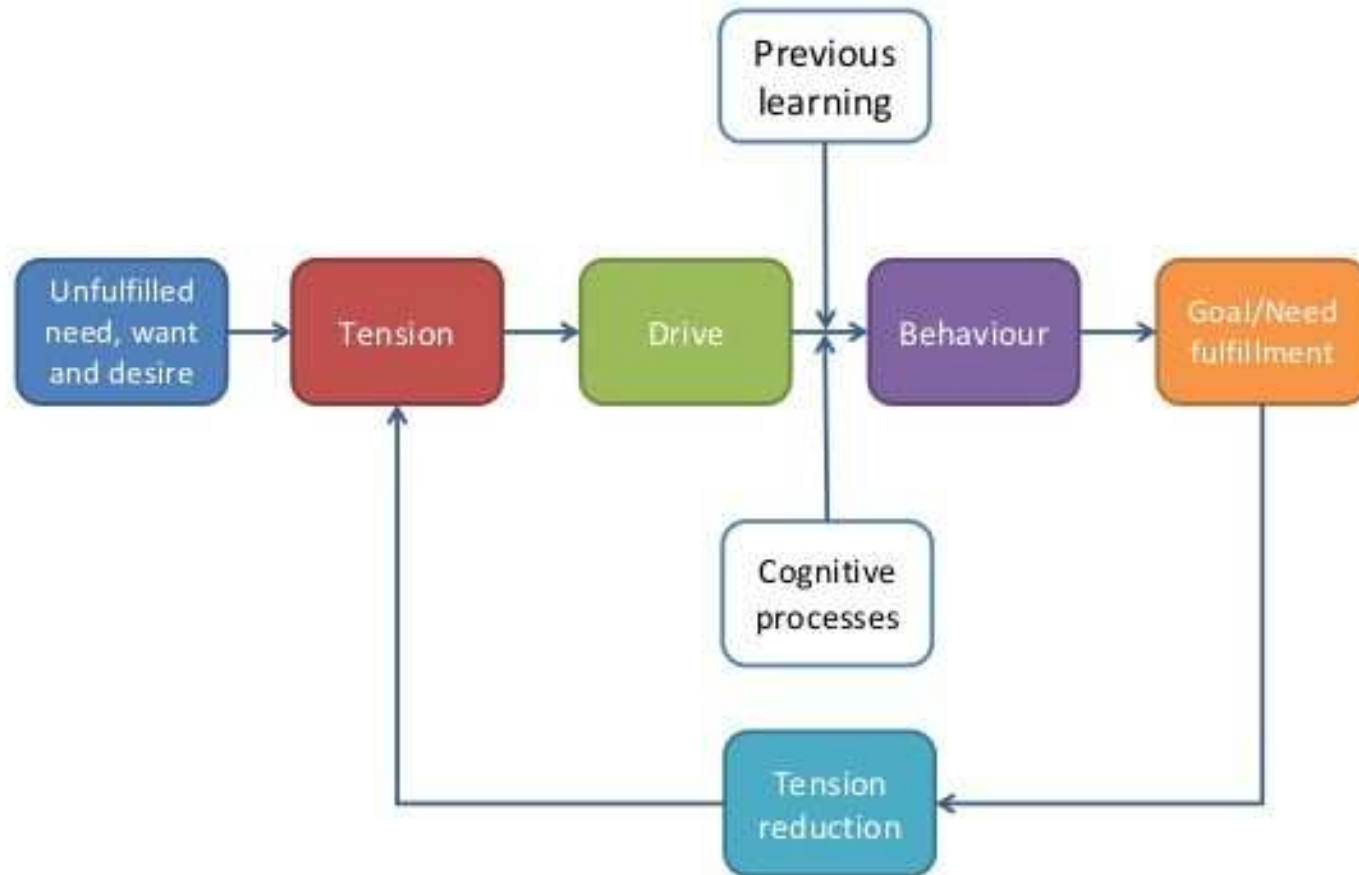
Internal or Psychological Factors:

- ▶ The **Psychological Factors** are the factors that talk about the psychology of an individual that drive his actions to seek satisfaction. Some of the important Psychological Factors are:

Motivation:

- ▶ The level of motivation influences the buying behaviour of the consumers. It is very well explained by Maslow through his need hierarchy theory comprising of basic needs, security needs, social needs, esteem needs and self-actualization needs. Usually, the basic needs and the security needs are more pressing needs than the other and hence, these needs become a motive that directs the consumer behaviour to seek satisfaction.

Model of the Motivation Process



Perception

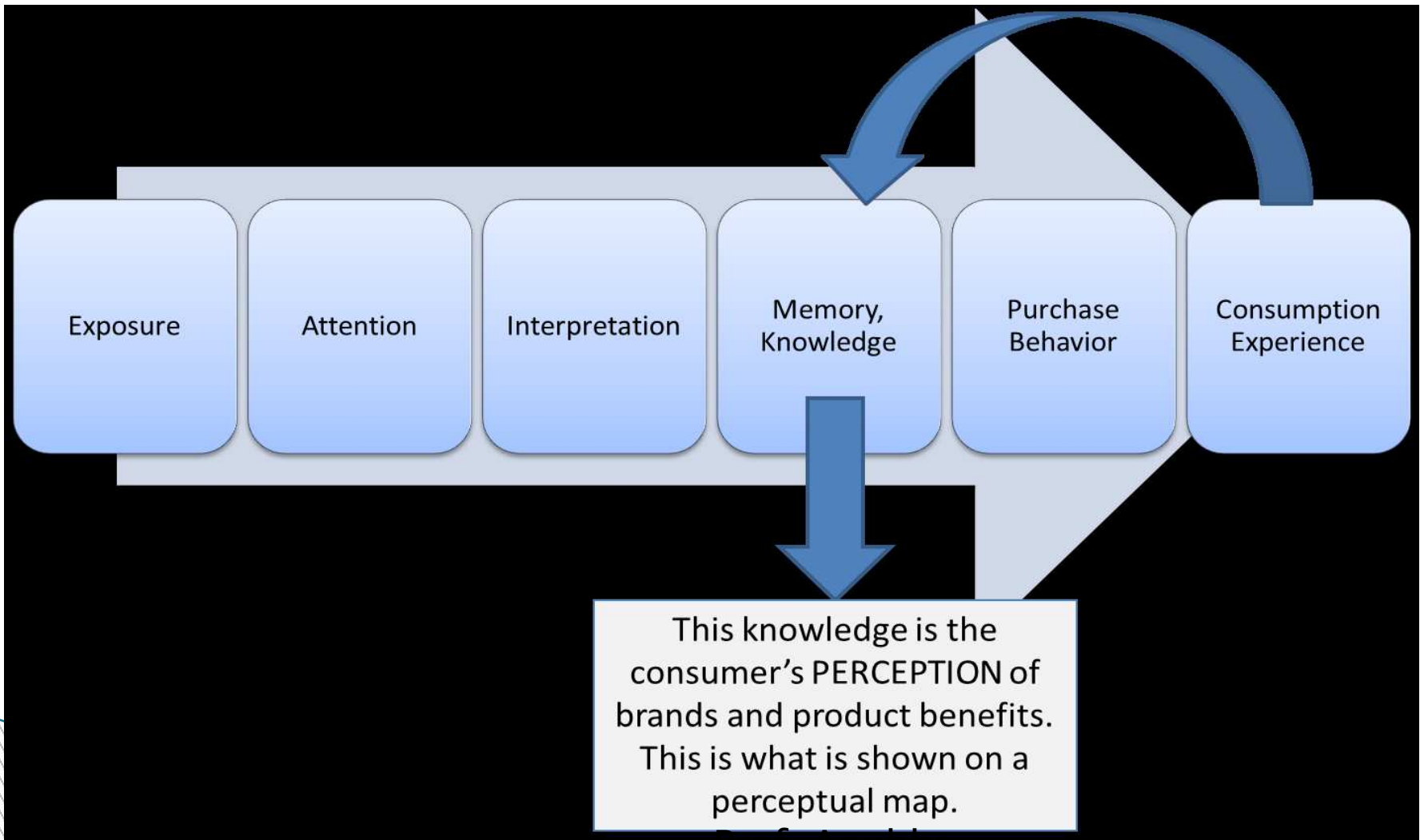
- The consumer perception towards a particular product and the brand also influences his buying decision. The perception is the process through which the individual selects, organize and interpret the information to draw a meaningful conclusion.

Such as, Apple iPhone is perceived as a premium brand and consumers are motivated to buy it to get associated with the elite class of the society.

Perception

- The marketers lay emphasis on managing the perceptual processes, Viz.
- **Selective Attention, Selective Distortion, and Selective Retention.**
- In **selective attention**, the marketer tries to gain the attention of the customer towards his offerings. Different people have different perceptions about the same product depending on their individual beliefs and attitudes which give rise to selective distortion. Thus, the marketer should try to understand the attitudes and beliefs of individuals and design the marketing campaigns to retain the consumers.

Perceptual Process



▶ **Exposure**

- ▶ Initially the consumer is exposed to brand in some manner. This may be from advertising or some other form of promotion, or it may be from other consumers who are using the brand, or it may be from visiting a store where the brand is sold. If it is from advertising, this is referred to as an impression.
- ▶ The best way to think about exposure is by using the term “opportunity to see”, which means that an exposure is a chance for the consumer to see the brand or its communication.

▶ **Attention**

- ▶ Attention occurs when the consumer dedicates some time towards the brand or its

▶ Interpretation

- ▶ If the consumer pays close attention, or the brand and/or its communication gains the attention of the consumer on several occasions, then the consumer is likely to process the 'message' to some extent.
- ▶ Despite the general meaning of the word 'interpretation', the process in this case tends to be quite simplistic. The consumer will usually process the main benefit or a key feature of a brand, such as:
 - Good for tough stains
 - A flexible bank
 - Good customer service
 - Easy to use

▶ Memory/Knowledge

- ▶ While the consumer has gained some understanding of a brand at this stage of the overall perceptual process, it needs to be developed into a memory that can be recalled. Consumers in their everyday life are exposed to a lot of information, the vast amount of which they do not remember for a long period of time.

- ▶ A consumer's ability to remember information is typically

Learning

The individual's learning depends on the skills, knowledge and intention. The skills are developed through practice while the knowledge and intention are acquired with the experience. There could be a conditional learning or a cognitive learning. In the conditional learning, the consumer derives learning from being conditioned to particular stimuli, i.e. when he is exposed to the similar situation, again and again, he develops a particular response towards it. While in the cognitive learning the individual applies all his knowledge, skill, attitudes, values and beliefs to find the solution of a problem and derive satisfaction out of it.

Consumer Learning Process

- ▶ According to Kotler's Definition, learning involves changes in an individual's behavior arising out of the experience. Most of the human behavior is learned over time, out of the experience.
- ▶ Following are the features of consumer learning
- ▶ Consumer learning is a process. A process which continually changes and acquires new knowledge.
- ▶ This knowledge can be obtained from reading, discussing, observing, thinking, etc.
- ▶ Newly acquired knowledge is either personal

Elements of Consumer Learning

- ▶ **Motivation** is the driving force of all important things to be learnt. Motives allow individuals to increase their readiness to respond to learning. It also helps in activating the energy to do so. Thus the degree of involvement usually determines the motivation to search information about a product.
- ▶ For example, showing advertisements for summer products just before summer season or for winter clothes before winters.

- ▶ Motives encourage learning and cues stimulate the direction to these motives. **Cues** are not strong as motives, but their influence in which the consumer responds to these motives.
- ▶ For example, in a market, the styling, packaging, the store display, prices all serve as cues to help consumers to decide on a particular product, but this can happen only if the consumer has the motive to buy. Thus, marketers need to be careful while providing cues, especially to consumers who have expectations driven by motives.

- ▶ **Response** signifies how a consumer reacts to the motives or even cues. The response can be shown or hidden, but in either of the cases learning takes place. Often marketers may not succeed in stimulating a purchase but the learning takes place over a period of time and then they may succeed in forming a particular image of the brand or product in the consumer's mind.
- ▶ **Reinforcement** is very important as it increases the probability of a particular response in the future driven by motives and cues

Elements of Learning Theories



Consumer Learning Processes

- **Cognitive Learning (Thinking)**
 - Consumers learn through information processing and problem solving
- **Behavioral Learning (Conditioning)**
 - Learning via association (classical conditioning)
 - Learning via reinforcement (instrumental cond.)
- **Modeling Processes (Modeling)**
 - Based on observation of outcomes and consequences experienced by others

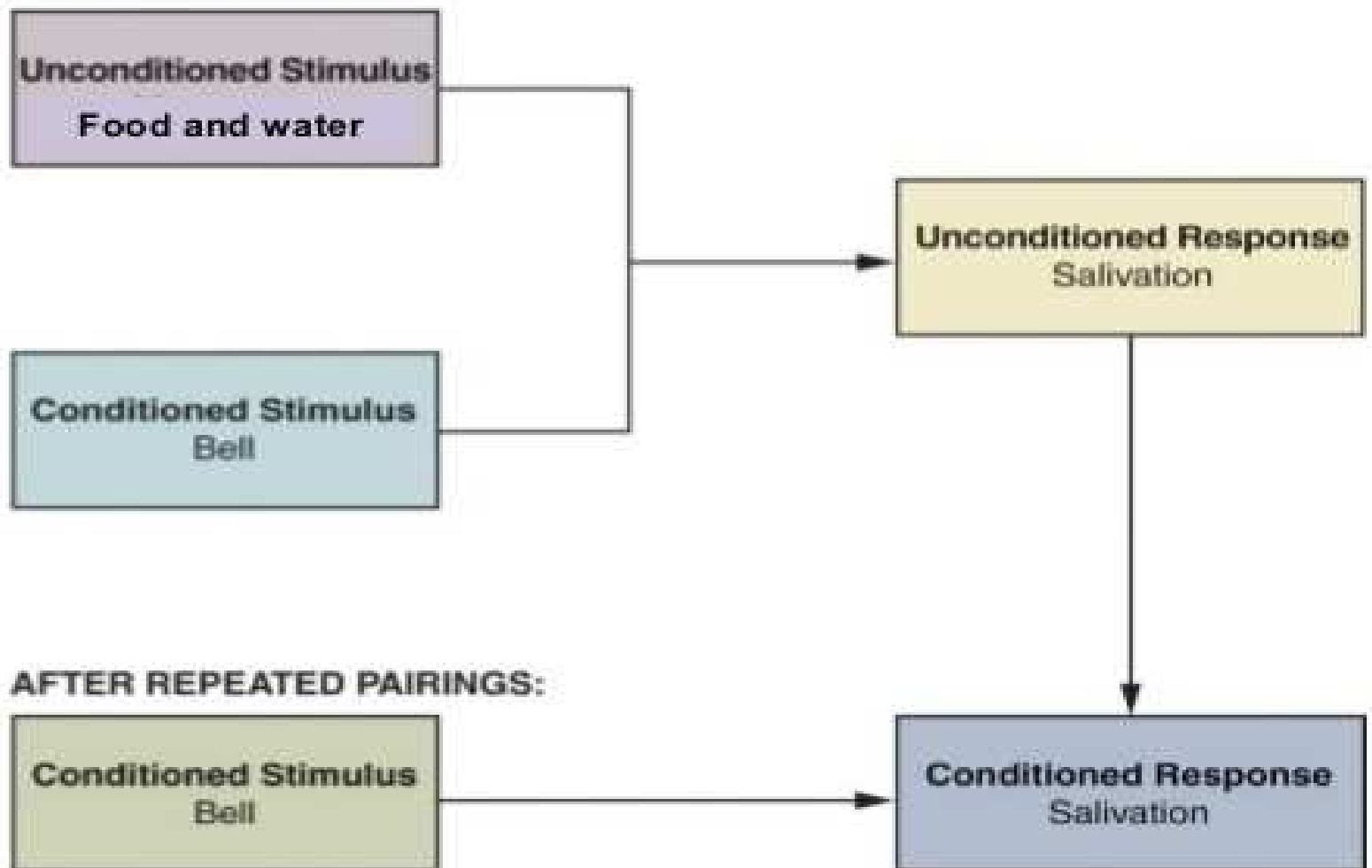
Models of Cognitive Learning

		Innovation				
		Promotional Model	Tricompetent Model	Decision-Making Model	Adoption Model	Innovation Decision Process
Sequential Stages of Processing	Attention	Cognitive	Awareness Knowledge	Awareness	Knowledge	
	Interest Desire	Affective	Evaluation	Interest Evaluation	Persuasion	
	Action	Conative	Purchase Postpurchase Evaluation	Trial Adoption	Decision Confirmation	

Consumer Behavioral Learning

- ## Theories
- ▶ There are various theories which are developed to explain the learning theories. The below are the major theories related to consumer behavior.
 - ▶ **Classical Conditioning** theory refers to learning through repetition. This is referred to as a spontaneous response to particular situation achieved by repetitive exposure. It is such a kind of a behavioral theory which says, when a stimulus is connected to or paired with another stimulus, it serves to produce the same response even when used alone.

Model of Classical Conditioning



- ▶ For example, if you usually listen news at 9 pm and have dinner too at 9 pm while watching the news then eventually the sound of news at 9pm may make you hungry even though you are not actually hungry or even if the dinner is not ready.
- ▶ **Instrumental Theory** is developed by B F SKINNER, an American psychologist, he was the first to develop this model of learning. Instrumental theory suggests that

Attitudes and Beliefs

- The individuals have certain beliefs and attitudes towards products on which their purchase decisions rests. These attitudes and beliefs are the tendency to respond to a given product in a particular way, and these make up the brand image that influences the consumer buying behaviour. Thus, the marketers try to understand the attitudes and beliefs of the individuals and modify these through several marketing campaigns.
- ▶ Thus, these are some of the psychological factors that the marketer must take into the consideration before undertaking the strategic marketing decision.

Attitude

- ▶ Consumer attitude may be defined as a feeling of favourableness or unfavourableness that an individual has towards an object. As we, all know that an individual with a positive attitude is more likely to buy a product and this results in the possibility of liking or disliking a product.
- ▶ Consumer attitude basically comprises of beliefs towards, feelings towards and behavioural intentions towards some objects.

- ▶ **Belief** plays a vital role for consumers because, it can be either positive or negative towards an object. For example, some may say tea is good and relieves tension, others may say too much of tea is not good for health. Human beliefs are not accurate and can change according to situations.
- ▶ Consumers have certain specific **feelings** towards some products or brands. Sometimes these feelings are based on certain beliefs and sometimes they are not. For example, May be an individual feels uneasy when he thinks about cheese burst pizza, because of the tremendous amount of cheese or fat it has.

- ▶ **Behavioral intentions** show the plans of consumers with respect to the products. This is sometimes a logical result of beliefs or feelings, but not always. For example, an individual personally might not like a restaurant, but may visit it because it is the hangout place for his friends.

▶ **Functions of Attitudes**

▶ The following are the functions of attitudes

▶ **Adjustment Function** – Attitudes helps people to adjust to different situations and circumstances.

▶ **Ego Defensive Function** – Attitudes are formed to protect the ego. We all are bothered about our self-esteem and image so the product boosting our ego is the target of such a kind of attitude

- ▶ **Value Expression Function** – Attitudes usually represent the values the individual possesses. We gain values, through our upbringing and training. Our value system encourages or discourages us to buy certain products. For example, our value system allows or disallows us to purchase products such as cigarettes, alcohol, drugs, etc.
- ▶ **Knowledge Function** – Individuals' continuously seeks knowledge and information. When an individual gets information about a particular product, he creates and modifies his attitude towards that product.

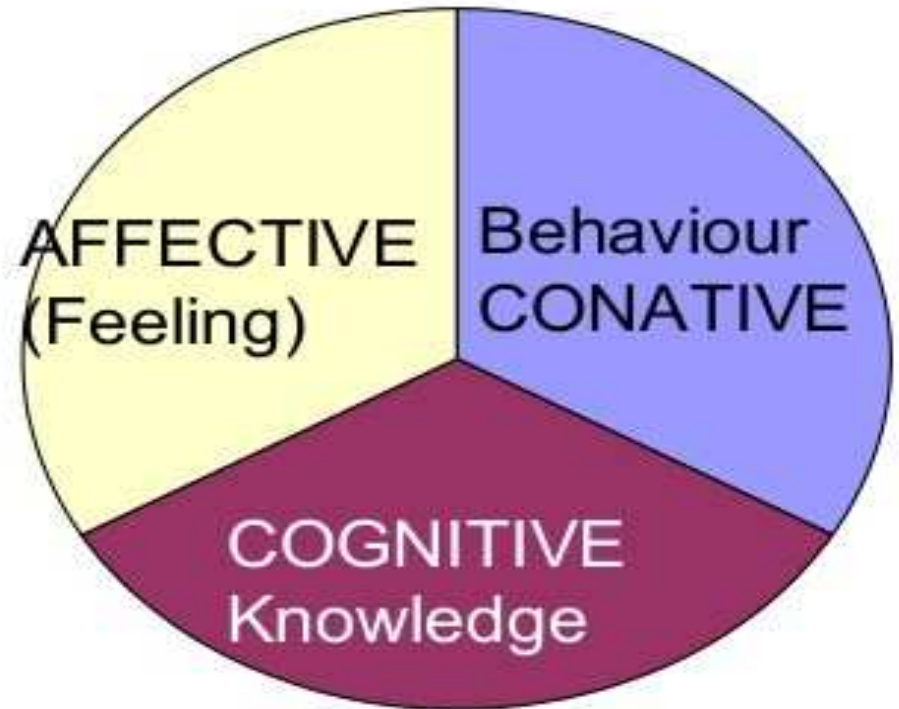
Models of Attitude

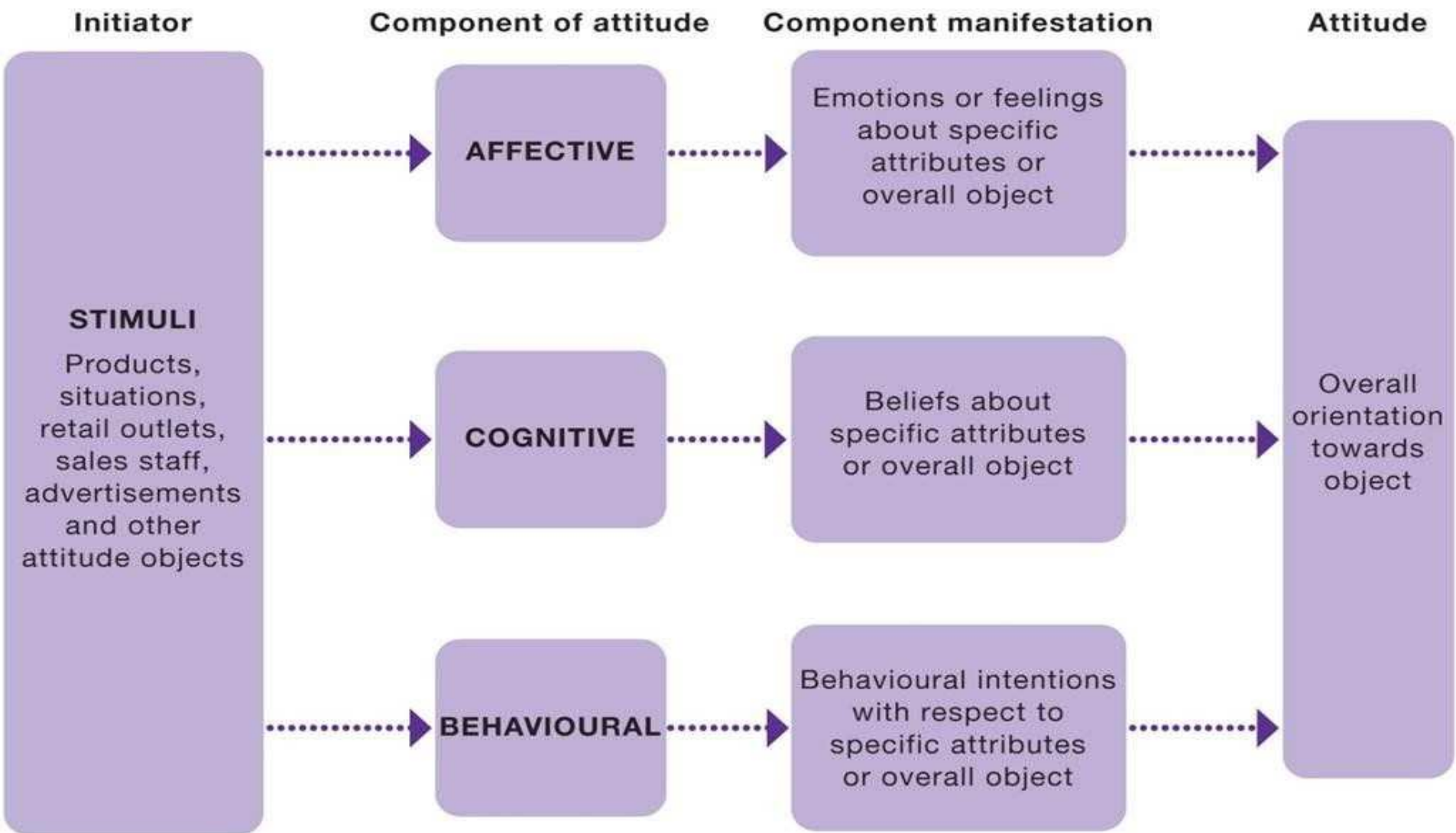
- ▶ The following are the models of attitude
- **Tri-component Model** – According to tri-component model, attitude consists of the following three components.
- **Cognitive Component** – The first component is cognitive component. It consists of an individual's knowledge or perception towards few products or services through personal experience or related information from various sources. This knowledge, usually results in beliefs, which a consumer has, and specific behaviour

- ▶ **Affective Component** – The second part is the affective component. This consists of a person's feelings, sentiments, and emotions for a particular brand or product. They treat them as the primary criteria for the purpose of evaluation. The state of mind also plays a major role, like the sadness, happiness, anger, or stress, which also affects the attitude of a consumer.
- ▶ **Conative Component** – The last component is conative component, which consists of a person's intention or likelihood towards a particular product. It usually means the actual behaviour of the person or his intention.

Tricomponent Attitude Model (ABC)

- **A**ffect (How I feel about it) plus
- **B**ehavioural tendency (Conative), plus
- **C**ognitions (what I think or know) about likely consequences of behaviour





Types of Attitude Scales

- ▶ 1) Single item Scale
- ▶ 2) Multi-item Scales
- ▶ Single item scales are those with which only one item is measured.
- ▶ The following are the important single item scales:
 - ▶ 1) **Itemised Category Scales:** These are those in which respondents have to select an answer from a limited number of ordered categories. Eg. A hotel customer is asked to indicate the level of satisfaction from the service provided.

- ▶ **2) Rank Order Scales** :They are comparative scales where respondents were asked to rate an item in comparison with another item or a group of items on a common criterion. Example:

Brands	Affordable Cost	High Mileage	Stylish	Great Pick Up
Honda				
TVS				
Bajaj				

- ▶ Rank the brands with 1 being the brand that best meets the characteristics , 7 being the worst of the characteristics

- ▶ **3) Comparative Scales** :The Researcher provides a point of comparison for respondents to provide answers. Therefore, all respondents will have a uniform point of comparison for selecting answers. Example:
- ▶ Respondent is asked to rate the sweet shop 'X' in comparison to sweetshop 'Y' in Kochi:
- ▶ Excellent, Very Good, Good, Both are same, Poor, Very poor

- ▶ **Multi-item Scales** :These are applied when it is difficult to measure people's attitude based on only one attribute. Eg. Ask a person whether he/she is satisfied with Indian Railway. 'Overall I am satisfied'. 'But there are many factors with which I am dissatisfied.' In such cases it is impossible to capture the complete picture with one overall question. A number of scales have to be developed that can measure a respondent's attitude towards several issues From most favourable to most unfavourable.

1) Semantic Differential Scale

- ▶ It is used to describe a set of beliefs that underline a person's attitude towards an object. This scale is based on the principle that individuals think dichotomously or in terms of polar opposites such as reliable–unreliable, modern–old fashioned etc.
- ▶ Eg. Comparing four brands of car :
- ▶ Mitsubishi(L) ; Hyundai(E) ; Skoda(O) ; Honda
- ▶ Fast----- Slow
- ▶ Large -- ----- -- Small
- ▶ Plain----- Stylish
- ▶ In-Expensive -- ----- Expensive

- ▶ **2) Staple Scales** :It is an attitude measure that places a single adjective or an attitude describing an object in the centre of an even number of numerical values. Generally it is constructed on a scale of 10 ranging from -5 to +5, without a neutral point (zero). It is similar to Semantic Scale, except for it is single polar. This scale is useful for the Researchers to understand the positive and negative intensity of attitudes of respondents.

- ▶ **Staple Scale Example – Measuring the attitude of Flight Passengers:**
- ▶ -1 -2 -3 -4 -5 Friendly Cabin Crew
+1 +2 +3 +4 +5
- ▶ -1 -2 -3 -4 -5 Comfortable Interiors
+1 +2 +3 +4 +5
- ▶ -1 -2 -3 -4 -5 Accurate Timings Crew Interiors
+1 +2 +3 +4 +5

- ▶ **3) Likert Scale** :This scale consists of a series of statements where the respondent provides answers in the form of agreement or disagreement. The respondent selects a numerical score for each statement to indicate the degree of agreement or otherwise. Each such score is finally added up to measure the respondents attitude.

Eg. of Likert Scale for evaluating the

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The Product is Costlier	1	2	3	4	5
I don't find time to use it	1	2	3	4	5
Adv. Is not convincing	1	2	3	4	5
Never used a VC	1	2	3	4	5

- ▶ **Types of Attitudes:**
- ▶ Attitudes are of three types:
- ▶ **a. Positive:**
- ▶ A favourable attitude—liking people, objects, situation, etc.
- ▶ **b. Negative:**
- ▶ An unfavourable attitude—does not like people/ objects, etc.
- ▶ **c. Neutral:**
- ▶ Neither favourable nor unfavourable

Personality

- ▶ Personality signifies the inner psychological characteristics that reflect how a person reacts to his environment. Personality shows the individual choices for various products and brands. It helps the marketers in deciding when and how to promote the product. Personality can be categorized on the basis of individual traits, likes, dislikes etc.

▶ Theories of Personality

1. Freudian theory

– Unconscious needs or drives are at the heart of human motivation

2. Neo–Freudian personality theory

– Social relationships are fundamental to the formation and development of personality

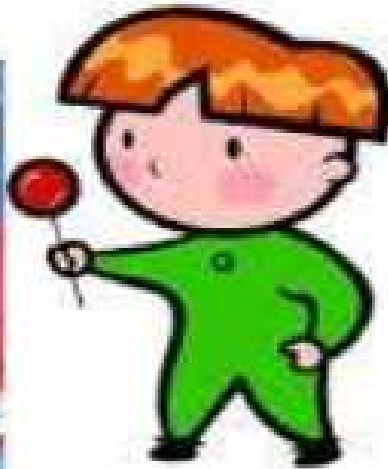
3. Trait theory

▶ – Quantitative approach to personality as a set of psychological traits

Freudian Theory



Id: WAH! Feed me NOW!



Ego: Mummy can I PLEASE have a lollipop?



Superego: I help my mum so I'm a good-girl!

- **Id:** Warehouse of primitive or instinctual needs for which individual seeks immediate satisfaction
- **Superego:** Individual's internal expression of society's moral and ethical codes of conduct
- **Ego:** Individual's conscious control that balances the demands of the id and superego



Freud's Theory: "The ID"

- ▶ The id uses the most primitive of thinking process.
- ▶ Basic biological urges (e.g., hunger, self-protection).
- ▶ Operates on the Pleasure Principle.
- ▶ Seeks pleasure and avoids pain: "I want what I want
NOW!"
- ▶ The id operates completely at an unconscious level.
- ▶ No direct contact with reality .

Freud's Theory: "The Superego"

- ▶ • Superego: the moral part of personality.
- ▶ Internalized rules of parents and society.
- ▶ • Superego consists of two parts:
- ▶ Conscience: "notions of right/wrong."
- ▶ Ego Ideal: "how we ideally like to be."
- ▶ Superego: constrains us from gratifying every impulse (e.g., murder) because they are immoral, and not because we might get caught.
- ▶ It is partly conscious, partly unconscious.

Freud's Theory: "The Ego"

- ▶ • The ego consists of a consciousness for perceiving and dealing intelligently with reality.
- ▶ • The ego acts as a mediator between the id and the superego.
- ▶ – The ego is partly conscious.
- ▶ – Deals with the demands of reality.
- ▶ – Makes rational decisions.

Neo-Freudian Personality Theories

Social relationships are fundamental to personality

Alfred Adler

- Style of life
- Feelings of inferiority

Carl Jung

- People are shaped by cumulative experiences of the past generations
- Archetypes – 'Mother nature', 'Chanda mama', myths, stories, Harry Potter, Lord of the Rings

Harry Stack Sullivan

- We establish relationships with others to reduce tensions

Karen Horney's three personality groups

- Compliant: move toward others
- Aggressive: move against others
- Detached: move away from others

- ▶ Personality traits are "enduring patterns of perceiving, relating to, and thinking about the environment and oneself that are exhibited in a wide range of social and personal contexts."
- ▶ A trait is what we call a characteristic way in which an individual perceives, feels, believes, or acts.

Three trait theory

- ▶ 1. Cardinal Traits: Traits that dominate an individual's whole life, often to the point that the person becomes known specifically for these traits. Freudian, Machiavellian, narcissism, Don Juan, Christ-like, etc.
- ▶ 2. Central Traits: These are the general characteristics that form the basic foundations of personality . Terms such as intelligent, honest, shy and anxious are considered central traits.
- ▶ 3. Secondary Traits: These are the traits that are sometimes related to attitudes or preferences and often appear only in certain situations or under specific circumstances. Some examples would be getting anxious when speaking to a group or

16 personality factor theory

- ▶ Trait theorist Raymond Cattell reduced the number of main personality traits from Allport's initial list of over 4,000 down to 16 by means of a statistical technique called factor analysis.

- ▶ 16 personality factor theory
- ▶ 1. emotional, easily upset vs. calm, stable
- ▶ 2. Intelligent vs. unintelligent
- ▶ 3. suspicious vs. trusting
- ▶ 4. reserved, unfriendly vs. outgoing, friendly
- ▶ 5. assertive, dominant vs. not assertive, humble
- ▶ 6. sober, serious vs. happy-go-lucky
- ▶ 7. conscientious vs. expedient
- ▶ 8. shy, timid vs. venturesome
- ▶ 9. tender-minded vs. tough-minded
- ▶ 10. practical vs. imaginative
- ▶ 11. shrewd vs. forthright
- ▶ 12. self-assured, placid vs. apprehensive
- ▶ 13. conservative vs. experimenting

Universal trait theory

- ▶ 1. Introversion/Extraversion: Introversion involves directing attention on inner experiences, while extraversion relates to focusing attention outward on other people and the environment. So, a person high in introversion might be quiet and reserved, while an individual high in extraversion might be sociable and outgoing.
- ▶ 2. Neuroticism/Emotional Stability: This dimension of Eysenck's trait theory is related to moodiness versus even-temperedness. Neuroticism refers to an individual's tendency

Big Five Model

- ▶ 1. Openness to Experience: the tendency to be imaginative, independent, and interested in variety vs. practical, conforming, and interested in routine.
- ▶ 2. Conscientiousness: the tendency to be organized, careful, and disciplined vs. disorganized, careless, and impulsive.
- ▶ 3. Extraversion: the tendency to be sociable, fun-loving, and affectionate vs. retiring, sombre, and reserved.

Traits relevant to consumer behavior

Innovativeness

- Degree to which a person likes to try new things

Materialism

- Amount of emphasis placed on acquiring and owning products

Self-consciousness

- The degree to which a person deliberately monitors and controls the self-image that is projected to others

Need for cognition

- The degree to which a person likes to think about a thing and tries to seek the brand information.

Frugality

- Frugal people deny short term purchasing whims, choosing resourcefully to use what they already own

- ▶ **The Consumer Decision Process**
- ▶ Consumers complete a step-by-step process when making purchase decisions
- ▶ **High-involvement**
- ▶ Purchase decisions are those with high levels of potential social or economic consequences
- ▶ **Low-involvement**
- ▶ Decisions are routine purchases that pose little risk to the consumer

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External Influence

Firm's Marketing Efforts

1. Product
2. Promotion
3. Price
4. Channels of distribution

Sociocultural Environment

1. Family
2. Informal sources
3. Other noncommercial sources
4. Social class
5. Subculture and culture

Consumer Decision Making

Need Recognition

Prepurchase Search

Evaluation of Alternatives

Psychological Field

1. Motivation
2. Perception
3. Learning
4. Personality
5. Attitudes

Experience

Purchase

1. Trial
2. Repeat purchase

Postpurchase Evaluation

Post-Decision Behavior



Consumer Behavior Model

Marketing Stimuli

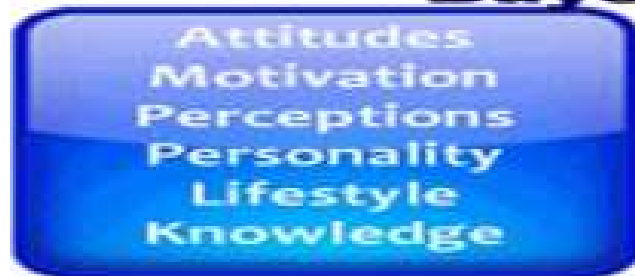


Environmental Stimuli



Buyer's Characteristics

Buyer's Black Box



Decision Process



Buyer's Response



Prof. Anubha Srivastava

www.gktoday.in

The Buyer Decision Process

Five stages in the buyer decision process

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Purchase decision
5. Post-purchase behavior

The Buyer Decision Process

Need Recognition

Need recognition occurs when the buyer recognizes a problem or need triggered by:

- Internal stimuli
- External stimuli

The Buyer Decision Process

Information Search

Information search is the amount of information needed in the buying process and depends on the strength of the drive, the amount of information you start with, the ease of obtaining the information, the value placed on the additional information, and the satisfaction from searching

The Buyer Decision Process

Information Search

Sources of information:

Personal sources—family and friends

Commercial sources—advertising,
Internet

Public sources—mass media, consumer
organizations

Experiential sources—handling,
examining, using the product

The Buyer Decision Process

Evaluation of Alternatives

Evaluation of alternatives is how the consumer processes information to arrive at brand choices

The Buyer Decision Process

Purchase Decision

The purchase decision is the act by the consumer to buy the most preferred brand

The purchase decision can be affected by:

- Attitudes of others
- Unexpected situational factors

The Buyer Decision Process

Post-Purchase Decision

The post-purchase decision is the satisfaction or dissatisfaction the consumer feels about the purchase

Relationship between:

- Consumer's expectations
- Product's perceived performance

The Buyer Decision Process

Post-Purchase Decision

The larger the gap between expectation and performance, the greater the consumer's dissatisfaction

Cognitive dissonance is the discomfort caused by a post-purchase conflict

The Buyer Decision Process

Post-Purchase Decision

Customer satisfaction is a key to building profitable relationships with consumers—to keeping and growing consumers and reaping their customer lifetime value

The Buyer Decision Process for New Products

New product is a good, service, or idea that is perceived by some potential customers as new

Adoption process is the mental process an individual goes through from first learning about an innovation to final regular use

The Buyer Decision Process for New Products

Stages in the Adoption Process

1. Awareness
2. Interest
3. Evaluation
4. Trial
5. Adoption

The Buyer Decision Process for New Products

Stages in the Adoption Process

Awareness is when the consumer becomes aware of the new product but lacks information

Interest is when the consumer seeks information about the new product

The Buyer Decision Process for New Products

Stages in the Adoption Process

Evaluation is when the consumer considers whether trying the new product makes sense

Trial is when the consumer tries the new product to improve his or her estimate of value

The Buyer Decision Process for New Products

Stages in the Adoption Process

Adoption is when the consumer decides to make full and regular use of the product

The Buyer Decision Process for New Products

Individual Differences in Innovation

Early adopters are opinion leaders and adopt new ideas early but cautiously

Early majority are deliberate and adopt new ideas before the average person

Late majority are skeptical and adopt new ideas only after the majority of people have tried it

Laggards are suspicious of changes and adopt new ideas only when they become tradition

The Buyer Decision Process for New Products

Influence of Product Characteristics on Rate of Adoption

Relative advantage is the degree to which an innovation appears to be superior to existing products

Compatibility is the degree to which an innovation fits the values and experiences of potential consumers

The Buyer Decision Process for New Products

Influence of Product Characteristics on Rate of Adoption

Complexity is the degree to which the innovation is difficult to understand or use

Divisibility is the degree to which the innovation may be tried on a limited basis